This link includes two figure setting presentations:

1. Department of Health Care Policy and Financing, Medicaid Mental Health Community Programs ONLY, March 14, 2007 (pp. 2-29)

2. Department of Human Services, Mental Health and Alcohol and Drug Abuse Services, Mental Health and Administration sections ONLY, March 14, 2007 (pp. 30-105)

Figure setting for the Department of Human Services, Mental Health and Alcohol and Drug Abuse Services, **Alcohol and Drug Abuse Division**, February 14, 2007, has been included in a packet with the Office of Operations and Division of Child Care. This packet may be found under the link for Human Services Figure Setting Recommendation Documents, **Developmental Disabilities, Operations, Child Care**.

# COLORADO GENERAL ASSEMBLY

# JOINT BUDGET COMMITTEE

# FY 2007-2008 FIGURE SETTING
# DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

**Medicaid Mental Health Community Programs ONLY**

**JBC Working Document - Subject to Change**

**Staff Recommendation Does Not Represent Committee Decision**

**Prepared By:**
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**March 14, 2007**

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| | FY 2004-05 Actual | FY 2005-06 Actual | FY 2006-07 Appropriation | FY 2007-08 Request | FY 2007-08 Recommend | Change Requests |
|---|---|---|---|---|---|---|
| **DEPARTMENT OF HEALTH CARE POLICY AND FINANCING**<br>**Executive Director: Joan Henneberry** | | | | | | |
| **(3) Medicaid Mental Health Community Programs** | | | | | | |
| **Mental Health Programs** | | | | | | |
| (1) Medicaid Mental Health Capitation | | | | | | |
| Mental Health Capitation Payments for Medicaid Eligible Clients | 149,346,526 | 164,839,222 | 183,141,013 S* | 191,552,877 A | 191,922,780 | DI #2 |
| General Fund | 74,686,553 | 82,328,858 | 88,358,589 S* | 90,579,005 A | 91,315,646 | BA - A2 |
| Cash Funds Exempt (Tobacco) | 0 | 85,498 | 3,206,518 S* | 5,190,357 A | 4,639,076 | |
| Federal Funds | 74,659,973 | 82,424,866 | 91,575,906 S* | 95,783,515 A | 95,968,058 | |
| Mental Health Services for Breast and Cervical Cancer Patients | 12,318 | Consolidated Above | Consolidated Above | Consolidated Above | | |
| Cash Funds Exempt (Tobacco) | 4,311 | | | | | |
| Federal Funds | 8,007 | | | | | |
| Mental Health Institute Rate Refinance Adjustment | 1,130,950 | Consolidated Above | Consolidated Above | Consolidated Above | | |
| General Fund | 565,475 | | | | | |
| Federal Funds | 565,475 | | | | | |
| Alternatives to Inpatient Hospitalization at the Mental Health Institute at Pueblo | 852,311 | Consolidated Above | Consolidated Above | Consolidated Above | | |
| General Fund | 426,155 | | | | | |
| Federal Funds | 426,156 | | | | | |
| Alternatives to Inpatient Hospitalization at the Mental Health Institute at Fort Logan | 783,191 | Consolidated Above | Consolidated Above | Consolidated Above | | |
| General Fund | 391,595 | | | | | |
| Federal Funds | 391,596 | | | | | |

| | FY 2004-05 Actual | FY 2005-06 Actual | FY 2006-07 Appropriation | FY 2007-08 Request | FY 2007-08 Recommend | Change Requests |
|---|---|---|---|---|---|---|
| Alternatives to the Fort Logan Aftercare Program | 310,702 | Consolidated | Consolidated | Consolidated | | |
| General Fund | 155,351 | Above | Above | Above | | |
| Federal Funds | 155,351 | | | | | |
| (2) Other Medicaid Mental Health Payments | | | | | | |
| Medicaid Mental Health Fee for Service Payments | 1,379,580 | 1,231,389 | 1,522,486 S* | 1,490,460 A | 1,489,003 | DI #2, BA - A2 |
| General Fund | 689,790 | 615,694 | 761,243 S* | 745,230 A | 744,502 | |
| Federal Funds | 689,790 | 615,695 | 761,243 S* | 745,230 A | 744,501 | |
| Medicaid Mental Health Child Placement Agency - CFE c/ | 2,436,950 | 0 | 0 | 0 | | |
| Medicaid Anti-Psychotic Pharmaceuticals - CFE | 45,954,548 | 27,105,418 | 32,682,434 S* | 32,321,595 A | 32,321,595 | DI #2, BA - A2 |
| | | | | | | Rec v. Approp. |
| **TOTAL - Medicaid Mental Health Community Programs** | 202,207,076 | 193,176,029 | 217,345,933 | 225,364,932 | 225,733,378 | 3.9% |
| General Fund | 76,914,919 | 82,944,552 | 89,119,832 | 91,324,235 | 92,060,148 | 3.3% |
| Cash Funds Exempt (Tobacco, Including Amend. 3 | 4,311 | 85,498 | 3,206,518 | 5,190,357 | 4,639,076 | 44.7% |
| Cash Funds Exempt (Transfer from Premiums) | 48,391,498 | 27,105,418 | 32,682,434 | 32,321,595 | 32,321,595 | -1.1% |
| Federal Funds | 76,896,348 | 83,040,561 | 92,337,149 | 96,528,745 | 96,712,559 | 4.7% |

*Reflects supplementals recommended but not yet enacted.

| | FY 2005-06 Actual | FY 2006-07 Appropriation | Fiscal Year 2006-07 Supplemental Requested Change | Recommended Change | New Total with Recommendation |
|---|---|---|---|---|---|
| **Late Supplemental Adjustment** | | | | | |
| **DEPARTMENT OF HEALTH CARE POLICY AND FINANCING** | | | | | |
| **Executive Director - Joan Henneberry** | | | | | |
| **FY 2006-07 Mental Health Caseload and Rate Adjustment** | | | | | |
| **(3) Mediciad Mental-health Community Programs** | | | | | |
| Mental Health Capitation Payments for ~~410,343~~ | | | | | |
| 375,226 Estimated Medicaid Eligible Clients | 164,839,222 | 189,589,258 | (6,555,262) | (6,448,245) | 183,141,013 |
| General Fund | 82,328,858 | 92,638,308 | (4,169,937) | (4,279,719) | 88,358,589 |
| Cash Funds | 0 | 0 | 0 | 0 | 0 |
| Cash Funds Exempt | 85,498 | 2,153,241 | 889,754 | 1,053,277 | 3,206,518 |
| Federal Funds | 82,424,866 | 94,797,709 | (3,275,079) | (3,221,803) | 91,575,906 |
| (2) Other Medicaid Mental Health Payments | | | | | |
| Medicaid Mental Health Fee for Service Payment | 1,231,390 | 1,736,020 | (228,920) | (213,534) | 1,522,486 |
| General Fund | 615,695 | 868,010 | (114,460) | (106,767) | 761,243 |
| Federal Funds | 615,695 | 868,010 | (114,460) | (106,767) | 761,243 |
| Medicaid Anti-Psychotic Pharmaceuticals - CFE | 27,105,418 | 31,630,004 | 1,052,430 | 1,052,430 | 32,682,434 |

| | FY 2005-06 Actual | FY 2006-07 Appropriation | Fiscal Year 2006-07 Supplemental | | |
|---|---|---|---|---|---|
| | | | Requested Change | Recommended Change | New Total with Recommendation |
| **Total - HCPF Mental Health Supplementals** | | | (6,784,182) | (6,661,779) | |
| FTE | | | | | |
| General Fund | n/a | n/a | (4,284,397) | (4,386,486) | n/a |
| Cash Funds | | | 0 | 0 | |
| Cash Funds Exempt | | | 1,942,184 | 2,105,707 | |
| Federal Funds | | | (3,389,539) | (3,328,570) | |

**DEPARTMENT OF HEALTH CARE POLICY AND FINANCING**
**Medicaid Mental Health Community Programs**
**FY 2007-08 Figure Setting and FY 2006-07 Late Supplementals**
JBC WORKING DOCUMENT - DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

## Medicaid Mental Health Community Programs

*House Bill 04-1265*

Pursuant to H.B. 04-1265, the Department of Health Care Policy and Financing has responsibility for Medicaid mental health programs including capitation (managed care) and fee-for-service payments. The Department of Human Services continues to manage the indigent and institutional programs.

*Medicaid mental health services are community-based using managed care*

Medicaid mental health community services throughout Colorado are delivered through a managed care or "capitated" program. Under capitation, the State pays a regional entity - a Behavioral Health Organization (BHO) - a contracted amount (per member per month) for each *Medicaid client eligible for mental health services in the entity's geographic area (currently around 375,000 statewide)*[1]. The BHO is then required to provide appropriate mental health services to all Medicaid-eligible persons needing such services. Thus, the BHO bears the risk for the costs of services. Additionally, only a portion of these eligibles will actually need/seek mental health services. This percent of eligibles receiving services are referred to as the "penetration rate," i.e., the ratio of clients served to total clients in the respective catchment areas.

The rate paid to each BHO for each class of Medicaid client eligible for mental health services (*e.g.*, children in foster care, low-income children, elderly, disabled) in each geographic region was established for (half of) FY 2004-05 and FY 2005-06 through a Request for Proposal process. A new contract begins July 1, 2006 for FY 2006-07. Under the capitated mental health system, changes in rates paid, and changes in overall Medicaid eligibility and case-mix (mix of clients within the population and the geographic location of those clients) are important drivers in overall state appropriations for mental health services. For example, the capitated rate for mental health services for children eligible for Medicaid due to foster care status is far higher than the rates paid for most other eligible categories.

[1] Not all Medicaid clients are eligible for mental health services (e.g., SLIMB/Qualified Medicare Beneficiaries and Non-Citizens are not eligible). Only the Medicaid caseload eligible for mental health services is reflected in the figures for Medicaid mental health.

Simplistically stated, the Medicaid mental health capitation budget is established based on the following formula:

**MH Per Capita Rate x Medicaid MH Caseload = Budget**

The Medicaid caseload for mental health reflects only those clients eligible for mental health services, as not all Medicaid clients are eligible for mental health services. Specifically non-citizens and qualified Medicare beneficiaries are not eligible.

Capitation represents about 85 percent of the total funding shown for Medicaid mental health community programs and 99 percent of the General Fund. The other 15 percent of total expenditures is comprised of a small fee-for-service program and a double-counts of mental health expenditures for anti-psychotic pharmaceuticals.

*Capitation Expenditure History and Projection*

The following table provides information on the recent expenditures and caseload for the Medicaid mental health capitation. Please note, the Medicaid mental health caseload used was converted in FY 2005-06 to mirror the overall Medicaid caseload's retroactivity methodology.

| | FY 02-03 Actual | FY 03-04 Actual | FY 04-05 Actual | FY 05-06 Actual | FY 06-07 Estimate | FY 2007-08 Recommend |
|---|---|---|---|---|---|---|
| Medicaid Mental Health Capitation Funding | $144,704,276 | $146,346,423 | $152,435,998 | $164,839,222 | $183,141,013 | $191,922,780 |
| Annual Dollar Change | $0 | $1,642,147 | $6,089,575 | 12,403,224 | $18,301,791 | $8,781,767 |
| Annual Dollar Percent Change | 0.0% | 1.1% | 4.2% | 8.1% | 11.1% | 4.8% |

**DEPARTMENT OF HEALTH CARE POLICY AND FINANCING**
**Medicaid Mental Health Community Programs**
**FY 2007-08 Figure Setting and FY 2006-07 Late Supplementals**
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STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

| | FY 02-03 Actual | FY 03-04 Actual | FY 04-05 Actual | FY 05-06 Actual | FY 06-07 Estimate | FY 2007-08 Recommend |
|---|---|---|---|---|---|---|
| Individuals Eligible for Medicaid Mental Health Services (Caseload) | 314,345 | 348,140 | 388,254 | 382,747 | 375,226 | 365,799 |
| Annual Caseload Change | 0 | 33,795 | 40,114 | (5,507) | (7,521) | (9,427) |
| Annual Caseload % Change | 0.0% | 10.8% | 11.5% | -1.4% | -2.0% | -2.5% |
| Average per-capita | $460 | $420 | $393 | $431 | $488 | $525 |
| Annual per capita % change | n/a | -8.6% | -6.6% | 9.7% | 13.3% | 7.5% |

*Background: Prior Year Reductions in the Capitation Budget*

State General Fund revenue shortfalls resulted in reductions to the Medicaid mental health capitation program in the last few years. As a result of statewide revenue shortfalls, Medicaid capitation rates were reduced significantly in FY 2002-03, FY 2003-04, and FY 2004-05 compared to FY 2001-02 levels. The reductions follow:

| BHO Reductions | | | |
|---|---|---|---|
| Fiscal Year | Area | Annual Totals | Cumulative Totals |
| FY 2001-02 | "Performance Incentive Awards" | (2,605,098) | (2,605,098) |
| FY 2002-03 | Base Reduction | (5,702,880) | (8,307,978) |
| FY 2003-04 | Base Reductions [1/] | (8,800,580) | (17,108,558) |
| FY 2004-05 | Base Reduction (carried forward from FY 2003-04) [2/] | (1,000,000) | (18,108,558) |

[1/] Includes reduction of $5,832,643 plus $3,967,937, offset by a one-time payment of $1,000,000 from S.B. 03-282.
[2/] Reflects the non-continuation of S.B. 03-282.

[3/] Reflects total funds reduction for Medicaid; the General Fund portion is 50 percent of the total unless otherwise specified.

These reductions in total dollars were tempered by dollar increases for the increasing Medicaid caseload and funding for community alternatives to inpatient hospitalization services at the state mental health institutes which increased the total dollars in the community system (e.g., dollars were transferred from the institutions to the community).

Additionally, there were not any cost of living increases for FY 2002-03, FY 2003-04, and FY 2004-05 until the 3.25 percent increase appropriated in FY 2005-06. For FY 2006-07, an inflator of 3.85 percent was provided, based on actuarial analysis.

*2006 Mercer Audit*

In 2006, the Office of the State Auditor contracted with a consulting firm for a performance audit of the Medicaid mental health community program. The November 2006 audit report includes the following recommendations.

Service Utilization and Quality

- The Department needs to set appropriate standards for the BHOs to follow in conducting utilization management and to adequately monitor the BHO's utilization management practices. To a large extent, BHOs delegate utilization review to community mental health centers but do not activity supervise CMHC utilization review activities. Insufficient utilization management could result in delivery of unnecessary or ineffective services, or inappropriate levels of services, leading to higher program costs and poor outcomes for patients.

- The Department needs to expand use of data analysis to assist in tracking rate parity among BHOS and identifying BHO-specific service and cost issues that may warrant further investigation or intervention.

- Three of the five BHOs do not monitor telephone access for mental health services, to ensure services reflect industry standards

- Both the Department and the BHOs need to improve third-party recovery efforts to ensure that Medicaid is being used as the payer of last resort.

Rate Setting

- Encounter data for mental health services are not reported consistently. The audit found a variety of weaknesses in the encounter data community mental health centers submit to the BHOs, including the failure to use standard, HIPAA compliant coding. The audit also noted that the sub-capitation agreements BHOs have in place with the community mental health centers provide little incentive to ensure CMHCs report all encounter data.

- Methods used to price encounter data perpetuate broad discrepancies in capitation rates. The audit identified several concerns with the Department's approach for estimating service costs and in determining actuarially sound capitation rates for the BHOs. In some instances, the Department uses community mental health center fee schedules, based on the mental health centers' cost reports, to price services provided. Further, the Department was unable to report when it had last completed a comprehensive review of the Medicaid fee schedule used to price services for non-mental health center providers. The practices "*perpetuate broad rate disparities and result in a cost-based reimbursement system that may not reflect reasonable and appropriate costs for services provided*."

- Colorado statutes have not been amended to reflect changes in federal regulations Historically, federal regulations required managed care rates for mental health services to be subject to the "upper payment limit" to ensure that costs did not exceed fee-for-service costs. Colorado statute at Section 25.5-5-408, C.R.S. stipulates that the Department cannot pay a capitation payment to a BHO that exceeds 95 percent of the projected fee-for-service costs. Although CMS repealed the federal upper payment limit effective August 2003, the state statue has not been changed.

Staff Comments

In many respects, the Mercer audit findings, specifically with respect to encounter data and rate disparities, are consistent with many past audit findings in the past. However, the audit provided only very general guidance with respect to addressing disparities. Staff notes that, in the most recent bid system for the Medicaid capitation program, capitation rates were set by the Department, and bidding was based solely on various program commitments and quality considerations included in the proposals. Thus, the overall capitation rate structure remains historically based. There are very substantial variations in rates paid to BHOs by eligibility category. Some of these variations are clearly based in penetration rates and other legitimate factors; however, questions remain as to

whether all the variations are sound. The Mercer audit does not answer these questions. In order to answer them more fully, better encounter data would presumably be required as the Mercer audit indicates. Staff hopes that the Department of Health Care Policy will explore some of these issues further in the future.

Recommendations concerning current state statute–that the 95 percent of fee-for-service requirements should be eliminated--deserve additional attention from the General Assembly. As noted in the Mercer study, the 95 percent of fee for service is no longer a useful measure for the mental health system because no comparable fee for service data exists. Fee for service data on which original capitation rates were based is hopelessly out of date. Staff is not aware of any legislation offered this session to address this issue, and staff does not believe that such legislation is urgent. Nonetheless, the issue should probably be considered for the 2008 legislative session.

**Mental Health Programs, Medicaid Mental Health Capitation**

Section 26-4-123, C.R.S. mandates the use of managed care (capitation) for the mental health service provision. Funding in this line is provided to five regional BHOs that bid to manage mental health services for Medicaid clients in the State. The following is a summary of the capitation figure setting recommendations in this packet:

*Summary of FY 2006-07 Community Mental Health Capitation Recommendation*

- **Recommended FY 2006-07 supplemental decrease of $6,448,245 (decrease of $4,279,719 General Fund)** for capitation from the revised appropriation reflected in S.B. 07-163 (HCPF FY 2006-07 supplemental).

- The overall decrease primarily reflects:
  -- **A decrease of $8,068,617 for decreased caseload estimates** of 34,992 (8.5%).
  -- **An increase of $2,799,454 in per capita cost changes.** This includes the impact of an overall higher actuarial rate adjustment than was assumed during figure setting in FY 2006-07 (3.85 percent provided v. 2.71 percent budgeted) and the impact of changes in case mix among regions with widely varying per-capita rates.
  -- **An increase of $120,917 in the compounding effect** of cost and caseload changes noted above.
  –**A decrease of $1,300,000 associated with the recoupment** of prior-year payments.

- **The General Fund decrease is also driven by a change in the projected case mix between the "traditional" Medicaid population and the population eligible for Health Care Expansion Fund services**. The recommendation includes an increase of $1,053,277 appropriated from the Health Care Expansion Fund, which offsets a General Fund decrease of the same amount.

*Summary of FY 2007-08 Community Mental Health Capitation Recommendation*

- **Recommended FY 2006-07 increase (over the reduced FY 2006-07 supplemental base) of $8,781,767 ($2,957,057 General Fund) for Capitation.** This includes:

  -- **An increase of $1,538,455 total funds for caseload changes.** This reflects a projected overall caseload decrease of 9,427 (2.5%), but a change in the statewide case mix which drives a net cost increase. Increases in foster care, elderly, and disabled categories offset declines in the less expensive low-income adult and child categories.
  -- **An increase of $7,184,254 total funds for a 3.76 percent rate inflator.** This also includes the partial reversal (by $300,000) of anticipated prior-year recoupments.
  -- **A compounding effect of $59,058** of caseload and the rate inflator.

## FY 2006-07 Medicaid Mental Health Capitation Supplemental

The following table summarizes the requested change sought in the FY 2006-07 supplemental and the recommendation. As shown the request and recommendation are similar: the recommendation is slightly higher in total dollars and slightly lower in net General Fund required.

**Total FY 2006-07 Capitation Line Item**

| | FY 2006-07 Request | FY 2006-07 Recommendation | Difference |
|---|---|---|---|
| Total | $183,033,996 | $183,141,013 | $107,017 |
| General Fund | 88,468,371 | 88,358,589 | (109,782) |
| Cash Funds Exempt (Tobacco) | 3,042,995 | 3,206,518 | 163,523 |
| Federal Funds | 91,522,630 | 91,575,906 | 53,276 |
| Total caseload | 375,518 | 375,226 | (292) |
| Average per capita | $487.42 | $488.08 | $0.66 |

The table below compares the recommendation to the current appropriation. As shown, the recommended supplemental results in a $6.4 million total funds decrease ($4.3 million General fund decrease) from the current FY 2006-07 mental health capitation appropriation.

**Current Recommendation and Request Compared to Base Appropriation**

| | Total | General Fund | Cash Funds Exempt | Federal Funds |
|---|---|---|---|---|
| FY 2006-07 Long Bill | 178,184,177 | 86,935,767 | 2,153,241 | 89,095,169 |
| S.B. 07-165 (Goebel Adjustment) | 11,405,081 | 5,702,541 | 0 | 5,702,540 |
| FY 2006-07 Appropriation to-date | 189,589,258 | 92,638,308 | 2,153,241 | 94,797,709 |

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| Current Recommendation and Request Compared to Base Appropriation | | | | |
|---|---|---|---|---|
| | Total | General Fund | Cash Funds Exempt | Federal Funds |
| Staff Recommended Expenditure Estimate | 183,141,013 | 88,358,589 | 3,206,518 | 91,575,906 |
| Difference (Recommended Sup) | (6,448,245) | (4,279,719) | 1,053,277 | (3,221,803) |
| Department Requested Expenditure Estimate | 183,033,996 | 88,468,371 | 3,042,995 | 91,522,630 |
| Difference (Requested Sup.) | (6,555,262) | (4,169,937) | 889,754 | (3,275,079) |

The method used for establishing total expenditures for both the request and the recommendation is a projection based on actual expenditures for the first half of the year, with an adjustment for an estimate of $1,300,000 recoupments in FY 2006–07 associated with prior year expenditures. The differences between the request and recommendation reflect differences between the HCPF projected caseload for the remainder of FY 2006-07 by eligibility category and the caseload projection developed by the JBC Medicaid analyst. The Medicaid analyst has already reviewed with the Committee the basis for her caseload recommendations and differences with the Department.

Differences in the caseload projections are reflected on the table below, along with the weighted cost-per-person amounts used to develop both the Department and staff projections. As shown in the table, the largest fiscal differences are in the foster care and disabled categories, even through caseload estimates differ only slightly; this is because these are the categories in which cost per eligible is greatest.

| Comparison Caseload Differences & Fiscal Impact Request and Recommendation | | | | | | |
|---|---|---|---|---|---|---|
| Caseload | Elderly | Disabled | Low Income Adults | Low Income Children | Foster Care | Breast and Cervical Cancer |
| Rate per eligible* | $161.90 | $1,336.96 | $202.77 | $166.08 | $3,471.65 | $154.51 |
| Requested Caseload | 36,154 | 54,636 | 62,173 | 205,804 | 16,508 | 243 |

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| Comparison Caseload Differences & Fiscal Impact Request and Recommendation | | | | | | |
|---|---|---|---|---|---|---|
| Caseload | Elderly | Disabled | Low Income Adults | Low Income Children | Foster Care | Breast and Cervical Cancer |
| Recommend Caseload | 36,218 | 54,557 | 62,425 | 205,213 | 16,580 | 233 |
| Difference in Caseload (Rec - Req.) | 64 | (79) | 252 | (591) | 72 | (10) |
| Fiscal impact of Difference in Caseload* | $10,362 | ($105,620) | $51,098 | ($98,153) | $249,959 | ($1,545) |

*Rate shown builds in impact of recoupment; as a result of associated compounding issues, total fiscal impact differs slightly from the sum of the categories shown

The table below compares the current staff estimate with the FY 2006-07 appropriation reflected in the Long Bill plus the Health Care Policy and Financing supplemental (S.B. 07-165) by eligibility category. The subsequent table helps to explain the differences, which are associated with overall statewide caseload, regional caseload variations, and actual inflationary adjustments. (Note that, in the two tables, changes by eligible differ slightly, because the second table does not spread a $1.3 million recoupment adjustment to the six eligibility categories.)

| **FY 2006-07 Staff Capitation Projection v. Current FY 2006-07 Appropriation by Eligibility Category** | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Elderly | Disabled | Adults | Children | Foster Care | BCCP* | Total |
| New FY 2006-07 Projection | $5,863,543 | $72,939,918 | $12,657,645 | $34,081,794 | $57,562,115 | $35,998 | $183,141,013 |
| S.B. 07-165 Appropriation | 6,701,594 | 64,392,668 | 13,581,568 | 39,459,465 | 65,433,428 | 20,535 | 189,589,258 |
| Difference | (838,051) | 8,547,250 | (923,923) | (5,377,671) | (7,871,313) | 15,463 | (6,448,245) |
| Percent change | -12.5% | 13.3% | -6.8% | -13.6% | -12.0% | 75.3% | -3.4% |

*Breast and Cervical Cancer Program

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| Budget Projection - FY 2006-07 Staff Projection compared to FY 2006-07 Appropriation | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Approp. Caseload | Caseload Change | Per Capita Rate Chg | Caseload Impact | Per Capita Rate Impact | Compound | Total |
| Elderly | 37,036 | (818) | -9.8% | (148,016) | (658,800) | 14,551 | (792,265) |
| Disabled | 54,563 | (6) | 13.9% | (7,081) | 8,966,194 | (986) | 8,958,127 |
| Adults | 72,867 | (10,442) | 9.4% | (1,946,268) | 1,281,843 | (183,691) | (848,116) |
| Children | 228,438 | (23,225) | -3.1% | (4,011,793) | (1,212,091) | 123,232 | (5,100,652) |
| Foster Care | 17,091 | (511) | -8.5% | (1,956,379) | (5,591,684) | 167,185 | (7,380,879) |
| BCCP* | 223 | 10 | 68.1% | 921 | 13,992 | 627 | 15,540 |
| Subtotal | 410,218 | (34,992) | | (8,068,617) | 2,799,454 | 120,917 | (5,148,245) |
| | | | | | | Recoupment adjustment | (1,300,000) |
| | | | | | | Total Difference | ($6,448,245) |

*Breast and Cervical Cancer Clients

As shown:

- The caseload projection has fallen substantially from the estimates used for the FY 2006-07 appropriation. Statewide caseload reductions drive an $8.1 million reduction in the projection. This primarily reflects the low income child and adult categories and the foster care child population.

- Per capita rate increases netting to $2.8 million partially offset the decline in the caseload projection. Per capita rates have shifted greatly. This partly reflects an overall increase in rates, based on the difference between the assumed rate increase of 2.71 percent used to set the original appropriation and the 3.85 percent ultimately provided based on actuarial analysis. However, this does not explain the dramatic shifts shown in the table. Such shifts are presumed to be driven by differential changes in eligibility between the five capitated regions. Capitated areas differ substantially in their rates-per-eligible. This means that if there is eligible population growth in an area with high rates and eligible population decline in an area with low rates, average capitation rates will

jump substantially, even if the net, overall eligible population does not change at all.

- As is also reflected in the table, $1.3 million of the reduction is based on the estimated recoupment of prior year payments for individuals subsequently deemed ineligible for Medicaid.

- A further change between the original appropriation and the current projection is related to the balance between the "traditional" Medicaid population and the population eligible for services through the Health Care Expansion Fund (H.B. 05-1262 Tobacco Tax legislation). Because the Medicaid analyst projects a greater portion of the population qualifies as "new" Medicaid population than was reflected in the original FY 2006-07 appropriation, there is a net increase in funding from the Health Care Expansion Fund and a decrease of General Fund of $1,053,277.

**FY 2007-08 Mental Health Capitation Request and Recommendation**

The table below compares the Department request and staff recommendation for FY 2007-08 for the capitation line item. As is the case for the FY 2006-07 request and recommendation, the sole differences between the request and recommendation are based on differences in Medicaid caseload projections.

**Total FY 2007-08 Capitation Line Item**

| | FY 2007-08 Request | FY 2007-08 Recommendation | Difference |
|---|---|---|---|
| Total | $191,552,877 | $191,922,780 | $369,903 |
| General Fund | 90,579,005 | 91,315,646 | 736,641 |
| Cash Funds Exempt (Tobacco) | 5,190,357 | 4,639,076 | (551,281) |
| Federal Funds | 95,783,515 | 95,968,058 | 184,543 |

| Total FY 2007-08 Capitation Line Item | | | |
|---|---|---|---|
| | FY 2007-08 Request | FY 2007-08 Recommendation | Difference |
| Total caseload | 377,372 | 365,799 | (11,573) |
| Average per capita | $507.60 | $524.67 | $17.07 |

- The FY 2007-08 Department of Health Care Policy and Financing request, as well as the recommendation, is based on a 3.76 percent assumed rate increase for the program. It is important to note that this is an estimate. As occurred for FY 2006-07, the actuarial rate process that will be used to establish the actual rate increase will not be completed until the summer. Thus, the final rate increase is likely to be different from this assumed 3.76 percent. The percent increase is based on a three year rolling average of actual rate increases since the actuarial certification requirement of mental health capitation rates was implemented by CMS.

- Staff and the Department believe the 3.76 estimate used is reasonable as a placeholder. During the Department's budget hearing, it indicated that it was evaluating the possibility of instituting calendar year rates in place of fiscal year rates for the behavioral health organizations. This would allow the new rates for each calendar year to be available in time for inclusion in the annual February 15 budget request. This should improve the accuracy of initial budget projections used for the Long Bill. The Department has indicated it expects to make this timing shift, but it is unclear whether this will go into effect for CY 2008 or CY 2009.

- The FY 2007-08 request and recommendation add back $300,000 to partially reverse the FY 2007-08 recoupment that was taken on behalf of prior year ineligibles. However, $1.0 million in recoupments has effectively been built into the base FY 2007-08 calculation, since annual recoupments are expected to be ongoing.

- The table below compares the fiscal impact of the differences in caseload estimates between the request and recommendation. As reflected in the table, the request provides for a caseload of 377,372. This is higher than the FY 2006-07 Department estimate of

375,578. In contrast, the recommendation provides for a caseload of 365,799, which is lower than 375,226 caseload recommendation for FY 2006-07. Nonetheless, the staff recommendation is for $369,903 more than the request, due to the caseload mix assumptions reflected in the request versus the recommendation.

Comparison Caseload Differences & Fiscal Impact
Request and Recommendation FY 2007-08

| Caseload | Elderly | Disabled | Low Income Adults | Low Income Children | Foster Care | Breast and Cervical Cancer |
|---|---|---|---|---|---|---|
| Rate per eligible* | $168.26 | $1,388.91 | $210.71 | $172.69 | $3,608.41 | $160.47 |
| Requested Caseload | 36,512 | 55,441 | 62,932 | 199,380 | 16,813 | 294 |
| Recommend Caseload | 36,703 | 55,194 | 62,349 | 193,981 | 17,295 | 277 |
| Difference in Caseload (Rec - Req.) | 191 | (247) | (583) | (5,399) | 482 | (17) |
| Fiscal impact of Difference in Caseload* | $32,138 | ($343,061) | ($122,844) | ($932,353) | $1,739,254 | ($2,728) |

*Amounts by category, when summed, differ slightly from the total dollar difference between the request and recommendation due to compounding and rounding.

As reflected in the table, the higher staff caseload recommendation for the foster care population results in a recommendation that is $1.7 million higher than the request. This is largely offset by lower caseload estimates in the low income child, adult, and disabled categories.

The following table summarizes the staff recommended changes for FY 2007-08 compared to the FY 2006-07 staff projection. As reflected in the table:

- The projection includes a $7.2 million increase associated with the estimated 3.79 percent rate increase plus the $300,000 retroactivity adjustment "add back".

- The projection also includes $1.5 million for caseload adjustments. This primarily reflects projected increases to the high-cost foster care and disabled categories which

are partially offset by projected reductions associated with the low-income child population.

**DEPARTMENT OF HEALTH CARE POLICY AND FINANCING**
**Medicaid Mental Health Community Programs**
**FY 2007-08 Figure Setting and FY 2006-07 Late Supplementals**
JBC WORKING DOCUMENT - DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

| Budget Projection - FY 2007-08 compared to FY 2006-07 | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Appropriation Caseload | Caseload Change | Per Capita Rate Change* | Caseload Impact | Per Capita Rate Impact | Compound | Total |
| Elderly | 162 | 485 | 3.9% | $78,519 | $230,606 | $3,088 | $312,213 |
| Disabled | 1,337 | 637 | 3.9% | 851,636 | 2,835,280 | 33,104 | 3,720,020 |
| Adults | 203 | (76) | 3.9% | (15,410) | 495,971 | (604) | 479,957 |
| Children | 166 | (11,232) | 4.0% | (1,865,412) | 1,358,578 | (74,360) | (581,193) |
| Foster Care Children | 3,472 | 715 | 3.9% | 2,482,323 | 2,262,426 | 97,565 | 4,842,314 |
| Breast & Cervical Cancer | 154 | 44 | 3.9% | 6,798 | 1,394 | 263 | 8,455 |
| Subtotal | 5,494 | (9,427) | | 1,538,455 | 7,184,254 | 59,058 | **8,781,767** |

*Note that the rate change appears higher than the 3.76 percent used in calculations due to the impact of the "add back" of $300,000 in FY 2006-07 retroactivity adjustments in FY 2007-08.

Medicaid Mental Health Services for Breast and Cervical Cancer Patients

This program was created through S.B. 01S2-12, adopted during the second 2001 special session. This line item was consolidated in the Capitation line item (above) in FY 2005-06. **No funding is requested or recommended for FY 2007-08.**

Mental Health Institute Rate Refinance Adjustment

Part of the total capitation funding (but not the actual capitation rate) was added a few years ago to refinance the mental health institutes. The BHOs purchase Medicaid beds from the mental health institutes out of their BHO capitation appropriation. A few years ago it was discovered that the BHO payment was not covering the total institute cost of the bed purchased; this meant that the General Fund was unnecessarily carrying the burden of other revenue streams. (This was not the BHO's fault, it was an issue that the Medicaid allowable costs were not being maximized. This drove a General Fund cost because General Fund "backfills" what other funding/revenue sources do not pay.) Maximizing Medicaid dollars (half General Fund and half federal funds) allows for a savings of costs that would otherwise be paid for with General Fund. This so-called rate refinance "add-on" was not part of the base funding that the BHOs receive *directly*. Instead, when the BHOs purchase a bed, this amount was separately "added on" -- paid by the state outside of the BHO capitation budget. This line item was consolidated in the Capitation line item (above) in FY 2005-06. **No funding is requested or recommended for FY 2007-08.**

Alternatives to Inpatient Hospitalization at the Mental Health Institute at Pueblo

As part of the state's budget balancing actions, eight beds at CMHI Pueblo were closed on March 1, 2003, followed by the closure of 24 more beds (a full 32-bed unit) on April 1, 2003. In order to ensure that patients could continue to receive services, the General Assembly funded community-based alternatives and incorporated Medicaid into the overall funding structure. This line item funds the alternative placement for persons who would otherwise have used those beds.

This line item was adjusted in the FY 2003-04 to separate the Medicaid from the non-Medicaid (Indigent) clients. This item was previously contained within the Capitation rate as an "add-on" -- and then reflected in the budget as a transfer out of capitation to a separate line item (for tracking purposes). In the FY 2003-04 supplemental bill, the JBC separated out this payment from the base capitation rates in order to simplify the budget. In that action, the JBC also divided the program into Medicaid and non-Medicaid, consistent with the restructuring of the

budget by eligibility type. This line item was consolidated in the Capitation line item (above) in FY 2005-06. **No funding is requested or recommended for FY 2007-08.**

Alternatives to Inpatient Hospitalization at the Mental Health Institute at Fort Logan

The Community Connections Inpatient (CCI) unit was an unlocked 27 bed unit that served as a "step down" from other adult units at the Mental Health Institute at Fort Logan. It was targeted for closure because it provided the lowest intensity of care at Fort Logan. It utilized physical therapy, behavioral programs, medication administration education and practice, occupational therapy, and intensive hygiene programs to raise the patient's level of functioning to match their anticipated placement. It also served as a "testing ground" for community placement for persons with dangerous behaviors and patients with a history of repeated recidivism. Patients also often had significant medical issues. In order to save the state significant amounts of General Fund, the Community Mental Health Centers took over the program on July 1, 2003, at which time the then existing program at Fort Logan was closed.

This line item was adjusted in the FY 2003-04 to separate the Medicaid from the non-Medicaid (Indigent) clients. This item was previously contained within the Capitation rate as an "add-on" -- and then reflected in the budget as a transfer out of capitation to a separate line item (for tracking purposes). In the FY 2003-04 supplemental bill, the JBC separated out this payment from the base capitation rates in order to simplify the budget. In that action, the JBC also divided the program into Medicaid and non-Medicaid, consistent with the restructuring of the budget by eligibility type. This line item was consolidated in the Capitation line item (above) in FY 2005-06. **No funding is requested or recommended for FY 2007-08.**

Alternatives to the Fort Logan Aftercare Program

The Committee approved the creation of this line item as part of FY 2002-03 supplemental actions. This funding allowed community providers to take over management of the then existing Fort Logan Aftercare program on April 1, 2003, resulting in General Fund savings. The Aftercare Program was created in 1972, and most recently consisted of three residential buildings and a family care program that involved referring clients to therapeutic home placements, similar to foster care placements. The program served 53 severely ill, mostly elderly individuals, many of whom had spent the better part of their lives receiving housing and support through this program. Essentially, the Community Mental Health Centers said that they could provide similar services to those that had been provided by the Institute, but at a substantially lower cost.

This line item was adjusted in the FY 2003-04 budget to separate the Medicaid from the non-Medicaid (Indigent) clients. This item was previously contained within the Capitation rate as an "add-on" -- and then reflected in the budget as a transfer out of capitation to a separate line item (for tracking purposes). In the FY 2003-04 supplemental bill, the JBC separated out this payment from the base capitation rates in order to simplify the budget. In that action, the JBC also divided the program into Medicaid and non-Medicaid, consistent with the restructuring of the budget by eligibility type. This funding was consolidated in FY 2005-06 in the Capitation line item above. **No funding is requested or recommended for FY 2007-08.**

**Other Medicaid Mental Health Payments**

This section of the Mental Health budget, reorganized in FY 2003-04, is designed to reflect the Medicaid mental health program expenditures that are not within the capitation program (discussed above). As noted earlier, the majority of the services in the Medicaid mental health program are delivered through the statewide managed care program (capitation). This section also includes line items that are shown for "informational purposes only." Such lines include Anti-Psychotic Pharmaceuticals which are now (again) being managed by the Department of Health Care Policy and Financing in its Medical Services Premiums section, shown here for informational purposes since the costs are associated with the mentally ill Medicaid eligible clients.

Medicaid Mental Health Fee for Service Payments

This line item funds the following fee-for-service component of the Medicaid mental health program: (1) services provided by non-mental health center providers for Medicaid clients with mental health diagnoses; (2) services provided by mental health centers for clients not covered under mental health capitation; and (3) Home and Community Based Services (HCBS-MI) Case Management.

Many providers, including hospitals, psychiatrists, psychologists, etc. bill fee-for-service for mental health services to clients not in the capitation program. Basically, these clients are free to go to any qualified Medicaid-enrolled provider for their mental health services. Outpatient providers are reimbursed through fee-for-service if either the diagnosis or the procedure is not in the capitation program. The BHO rates do not include these costs. For example, if the diagnosis is included in the program (e.g., depression) but the procedure code is not included

(e.g., physician office visit), the provider will be reimbursed by fee-for-service. This allows people to get some mental health services from their PCPs.

Another example would be when the diagnosis is not included in the program (e.g., brain injury) but the procedure is included (e.g. psychotherapy). These services are also paid by fee-for-service. This allows providers to use traditional mental health services to treat other diagnoses, without going through the BHO. Fee-for-service does pay for both non-mental health services for mental health diagnoses, and for mental health services for non-mental health diagnoses. If the diagnosis is included in the capitation program, the claims should be denied because it is the BHO's responsibility. If the diagnosis is NOT included in the capitation program, the claim should be paid (or referred to the HMO if the client has an HMO).

A small number of individuals have received individual exemptions from the mental health capitation program, as permitted under federal law. Services for these individuals are also reimbursed by Medicaid on a fee-for-service basis. Further, partial dual eligibles do not qualify for behavioral health organization membership. Several categories of clients who are the responsibility of a mental health institute may have claims paid under mental health fee-for-service, including Medicaid-eligible forensics patients; however associated payments are budgeted in the Medicaid line item for the mental health institutes.

The Department's February 15, 2007 request contains an FY 2006-07 supplemental and a corresponding FY 2007-08 budget amendment for fee-for-service. As with capitation, discussed above, these two years' requests contain related factors and are thus discussed together.

- **The FY 2006-07 Department supplemental request for $1,507,100 is for a reduction of $228,919, from the previous appropriation for a total of $1,736,019.** This amount is based on FY 2005-06 actuals (adjusted to eliminate a one-time recoupment) and a 1.81 percent global mental health caseload decline from FY 2005-06 actual to the FY 2006-07 projection.

- **The FY 2007-08 request for $1,490,460 is based on a further reduction of $16,640 for a projected further mental health caseload decline of 1.10 percent from FY 2006-07 to FY 2007-08.** No rate increases are included in the projection.

Consistent with the overall approach used in the request, staff projects the FY 2006-07 appropriation based on FY 2005-06 actuals adjusted for the overall change in the mental health caseload. However, because the staff caseload projection differs somewhat from the Department-projected caseload and staff has applied some inflationary factors, the resulting figures differ.

**For FY 2006-07, staff recommends a Medicaid mental health fee-for-service supplemental reduction of $213,533, including $106,767 General Fund**. The projection is based on a global projected Medicaid eligible mental health population decrease of 1.96 percent (from 382,734 in FY 2005-06 to 375,226 in FY 2006-07), a projected physician services rate increase of 2.0 percent from FY 2005-06 to FY 2006-07, and a projected inpatient hospital rate increase of 3.7 percent from FY 2005-06 to FY 2006-07.

| FY 2006-07 Fee for Service Calculations | | | | |
|---|---|---|---|---|
| Components | FY 2005-06 Actual | Caseload % Change | Rate % Change | FY 2006-07 Projection |
| Portion that is inpatient | 481,003 | -1.96% | 3.7% | 489,015 |
| Portion that is outpatient | 1,040,344 | -1.96% | 0.0% | 1,019,936 |
| Portion that is physician | 13,535 | -1.96% | 2.0% | 13,535 |
| Subtotal* | 1,534,882 | | | 1,522,486 |

*Excludes one-time FY 2005-06 recoupment

**For FY 2007-08, staff recommends an appropriation of $1,489,003 for this line item, including $744,502 General Fund**. The projection is based on a global projected mental health Medicaid eligible population decrease of 2.51 percent (from 375,266 in FY 2006-07 to 365,799 in FY 2007-08), and projected inpatient hospital rate increase of 1.0 percent from FY 2006-07 to FY 2007-08.

| FY 2007-08 Fee for Service Calculation | | | | |
|---|---|---|---|---|
| Components | FY 2006-07 Projection | Caseload % Change | Rate % Change | FY 2007-08 Projection |
| Portion that is inpatient | 489,015 | -2.51% | 1.0% | 481,497 |
| Portion that is outpatient | 1,019,936 | -2.51% | 0.0% | 994,311 |
| Portion that is physician | 13,535 | -2.51% | 0.0% | 13,195 |
| Subtotal | 1,522,486 | | | 1,489,003 |

## Other Medicaid Mental Health Payments

Medicaid Mental Health Child Placement Agency Program

Historically some counties and some Medicaid mental health providers collaborated to provide mental health services for children placed through Child Placement Agencies. Based on county/BHO agreements some General Fund block grant moneys were used to draw down federal Medicaid funding. Participating BHOs used these moneys to provide mental health services to children placed through child placement agencies. From FY 2002-03 through FY 2005-06, the Long Bill included a cash funds exempt figure that reflected the amount of funds likely to be expended through this program.

The Centers for Medicare and Medicaid Services sent a letter on November 19, 2004, directing the Department of Health Care Policy and Financing to immediately halt its $6.5 million in Medicaid payments to Behavioral Health Organizations that were providing mental health services to children and adolescents who had been placed into foster care through Child Placement Agencies (CPAs). On December 1, 2004 providers were told by the Department of Health Care Policy and Financing to cease services to needy children with mental illness. The CMS determined that the Department of Human Services' Medicaid payments for child placement agencies were supplemental payments which were not allowable since the payments are not part of the actuarially certified capitation rate as specified in 42 CFR 438.6 (c) and that the services might have been considered non-Medicaid services under 42 CFR 435.1002(c). The CMS also questioned the authority of the Colorado 1915 (b) waiver to cover these payments. The Department sought CMS approval to align all of the foster care funding for the

counties in a consistent manner. Staff understands that the CMS has not approved the Department's requested funding change. Should the CMS approve such a change in the future, the funding would be added to the Capitation line item (where all capitation funding is shown) and the funding would be financed directly with General Fund and federal funds (presumably removed from the Child Welfare Medicaid funding where the dollars were previously appropriated and instead appropriated to capitation).

Medicaid Anti-Psychotic Pharmaceuticals

This line item represents funding associated with anti-psychotic medications. Actual expenditures are based on Medicaid fee-for-service expenditures in the Medical Services Premiums portion of the Department of Health Care Policy and Financing budget.

This line item is simply a "double-count" of the anti-psychotic expenditures which are already estimated and will be appropriated in the Medicaid Premiums section of the Department's budget. It is shown also in this area for informational purposes to show the General Assembly (and interested parties) the total mental health Medicaid dollars paid on behalf of the program. **Given that the Medicaid analyst has recommended the Department's request for pharmaceutical increases in its entirety, the staff recommendation reflects the Department request of a supplemental increase of $1,052,430 cash funds exempt for FY 2006-07 and an appropriation of $32,321,595 cash funds exempt for this line item for informational purposes for FY 2007-08.**

Staff notes that the Department has expressed interest in eliminating this double-count. It was originally added both to focus attention on the growth in this budget area and also due to discussion regarding means for controlling the growth. One option originally under discussion was including these expenditures in the Medicaid mental health capitation program. Another option discussed last year was an outlier management contract. In light of the new administration, staff recommends retaining the line item for now to promote further discussion of whether/how costs in this areas should be contained. However, staff does believe it may be appropriate to eliminate the line item in the future, if the Executive is unable or unwilling to target cost-containment efforts toward the anti-psychotic pharmaceuticals and if the General Assembly is uninterested in pursuing related legislation.

**FY 2007-08 Footnote Recommendation**

Staff does not recommend any footnotes for FY 2007-08 for Medicaid Mental Health community programs. (There were no footnotes in FY 2006-07.)

# COLORADO GENERAL ASSEMBLY

# JOINT BUDGET COMMITTEE

# FY 2007-2008 FIGURE SETTING
# DEPARTMENT OF HUMAN SERVICES

**Mental Health and Alcohol and Drug Abuse Services,**
**Administration and Mental Health Sections ONLY**

**JBC Working Document - Subject to Change**

**Staff Recommendation Does Not Represent Committee Decision**

**Prepared By:**
**Amanda Bickel, JBC Staff**
**March 14, 2007**

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**(TDD 866-3472)**

| | FY 2004-05 Actual | FY 2005-06 Actual | FY 2006-07 Appropriation | FY 2007-08 Request | | FY 2007-08 Recommendation | | Change Requests |
|---|---|---|---|---|---|---|---|---|
| **DEPARTMENT OF HUMAN SERVICES** | | | | | | | | |
| **Executive Director: Karen Beye** | | | | | | | | |
| **(4) MENTAL HEALTH AND ALCOHOL AND DRUG ABUSE SERVICES** | | | | | | | | |
| **(A) Administration** | | | | | | | | |
| (Primary functions: Manages and provides policy direction to the Alcohol and Drug Abuse Division, the Indigent and Goebel Mental Health Community Programs, the Mental Health Institutes, and Housing Programs. The source of cash funds is from the Traumatic Brain Injury Trust Fund, the source of cash funds exempt is primarily Medicaid and reserves in the TBI Trust, and the source of federal funds is primarily from housing grants and federal mental health block grant funds.) | | | | | | | | |
| Personal Services | 1,137,015 | 1,310,149 | 1,567,276 | S | 1,788,245 | A | 1,718,386 | DI 8, |
| FTE | 11.3 | 16.3 | 16.6 | | 21.1 | A | 20.1 | BA T-4 and T-5, |
| General Fund | 387,540 | 259,325 | 602,790 | S | 785,207 | A | 718,202 | Recid. Reduc 3 |
| Cash Funds Exempt | 366,112 | 371,845 | 389,205 | | 403,198 | | 401,957 | |
| Federal Funds | 383,363 | 678,979 | 575,281 | S | 599,840 | A | 598,227 | |
| *For Informational Purposes* | | | | | | | | |
| *Medicaid Cash Funds Exempt* | *280,587* | *299,003* | *296,077* | | *306,725* | | *305,781* | |
| *Medicaid - General Fund therein* | *140,293* | *149,501* | *148,040* | | *153,363* | | *152,893* | |
| *Net General Fund* | *527,833* | *408,826* | *750,830* | S | *938,570* | A | *871,095* | |
| Operating Expenses | 84,907 | 80,465 | 34,190 | S | 49,000 | A | 42,950 | DI 8 |
| General Fund | 4,815 | 20,431 | 20,931 | S | 35,741 | A | 29,691 | BA T-4 |
| Cash Funds Exempt | 0 | 11,274 | 11,274 | | 11,274 | | 11,274 | Recid. Reduc 3 |
| Federal Funds | 80,092 | 48,760 | 1,985 | | 1,985 | | 1,985 | |
| *For Informational Purposes* | | | | | | | | |
| *Medicaid Cash Funds Exempt* | *0* | *0* | *11,274* | | *11,274* | | *11,274* | |
| *Medicaid - General Fund therein* | *0* | *0* | *5,636* | | *5,637* | | *5,637* | |
| *Net General Fund* | *4,815* | *20,431* | *26,567* | | *41,378* | A | *35,328* | |
| Federal Programs and Grants | 4,043,331 | 2,785,294 | 2,473,913 | | 2,482,241 | A | 2,479,404 | BA T-6 |
| FTE | 8.9 | 7.4 | 11.0 | S | 11.0 | A | 11.0 | |
| General Fund | 2,289 | 0 | 0 | | 0 | | 0 | |
| Federal Funds | 4,041,042 | 2,785,294 | 2,473,913 | S | 2,482,241 | A | 2,479,404 | |

| | FY 2004-05 Actual | FY 2005-06 Actual | FY 2006-07 Appropriation | | FY 2007-08 Request | | FY 2007-08 Recommendation | Change Requests |
|---|---|---|---|---|---|---|---|---|
| Supportive Housing and Homelessness - FF | 17,289,219 | 16,785,235 | 20,205,076 | S | 19,995,649 | A | 19,991,858 | BA T-6 |
| FTE | 13.5 | 15.4 | 20.0 | S | 19.0 | A | 19.0 | |
| Cash Funds | 0 | 500 | 0 | | 0 | | 0 | |
| Cash Funds Exempt | 49,651 | 132,105 | 0 | | 0 | | 0 | |
| Federal Funds | 17,239,568 | 16,652,630 | 20,205,076 | S | 19,995,649 | A | 19,991,858 | |
| Traumatic Brain Injury Trust Fund | 558,541 | 1,357,421 | 1,967,016 | | 2,414,727 | | 2,414,179 | DI #22 |
| FTE | 1.5 a/ | 1.0 | 1.0 | | 2.0 | | 1.5 | |
| Cash Funds (TBI Trust Fund) | 558,541 | 1,357,421 | 1,505,318 | | 1,507,834 | | 1,932,622 | |
| Cash Funds Exempt (Reserves) | 0 | 0 | 461,698 | | 906,893 | | 481,557 | |
| CUSP Administration | n/a | n/a | n/a | | n/a | | 0 | |
| FTE | | | | | | | 0.0 | |
| General Fund | | | | | | | 0 | |
| | | | | | | | | Recommend v. Approp. |
| **TOTAL - (A) Administration** | 23,113,013 | 22,318,564 | 26,247,471 | S | 26,729,862 | A | 26,646,777 | 1.5% |
| FTE | 35.2 | 40.1 | 48.6 | S | 53.1 | A | 51.6 | 3.0 |
| General Fund | 392,355 | 279,756 | 623,721 | S | 820,948 | A | 747,893 | 19.9% |
| Cash Funds | 558,541 | 1,357,921 | 1,505,318 | | 1,507,834 | | 1,932,622 | 28.4% |
| Cash Funds Exempt | 415,763 | 515,224 | 862,177 | | 1,321,365 | | 894,788 | 3.8% |
| Federal Funds | 21,746,354 | 20,165,663 | 23,256,255 | S | 23,079,715 | A | 23,071,474 | -0.8% |
| *Medicaid Cash Funds Exempt* | *280,587* | *299,003* | *307,351* | | *317,999* | | *317,055* | 3.2% |
| *Medicaid - General Fund therein* | *140,293* | *149,501* | *153,676* | | *159,000* | | *158,530* | 3.2% |
| *Net General Fund* | *532,648* | *429,257* | *777,397* | | *979,948* | A | *906,423* | 16.6% |

** NOTE: These lines 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.

a/ The Department was appropriated 1.0 FTE for this program, consistent with the Fiscal Note for this program. The Department requested additional FTE but was denied this request by the JBC. As such, the Department exceeded its FTE authority for this program during this year.

| | FY 2004-05 Actual | FY 2005-06 Actual | FY 2006-07 Appropriation | FY 2007-08 Request | FY 2007-08 Recommendation | Change Requests |
|---|---|---|---|---|---|---|
| **(B) Mental Health Community Programs** | | | | | | |
| (Primary functions: Funding and oversight of non-Medicaid community-based mental health programs, including the state's network of community mental health centers and clinics. Pursuant to H.B. 04-1265, most Medicaid mental health programs were transferred to the Department of Health Care Policy and Financing.) | | | | | | |
| **(1) Mental Health Services for the Medically Indigent** | | | | | | |
| Services for Indigent Mentally Ill Clients | 20,670,212 | 22,590,843 | 36,210,178 S | 37,168,151 A | 37,680,218 | DI 8, NP 1 |
| General Fund | 15,069,799 | 16,821,195 | 30,065,061 S | 31,023,034 A | 31,535,101 | BA T-4 |
| Cash Funds Exempt (Voc Rehab) | 0 | 0 | 161,909 S | 161,909 A | 161,909 | |
| Federal Funds | 5,600,413 | 5,769,648 | 5,983,208 | 5,983,208 | 5,983,208 | |
| Early Childhood Mental Health Services - GF | | 214,778 a/ | 1,135,750 | 1,158,465 | 1,158,465 | NP 1 |
| Assertive Community Treatment Programs | 1,213,600 | 1,237,872 | 1,278,102 | 1,303,664 | 1,303,664 | NP 1 |
| General Fund | 606,800 | 618,936 | 639,051 | 651,832 | 651,832 | |
| Cash Funds Exempt (Local Funds) | 606,800 | 618,936 | 639,051 | 651,832 | 651,832 | |
| Alternatives to Inpatient Hospitalization at the Mental Health Institute at Pueblo - GF | 894,871 | 912,768 | 942,433 | 961,282 | 961,282 | NP 1 |
| Alternatives to Inpatient Hospitalization at the Mental Health Institute at Ft. Logan - GF | 583,481 | 750,413 b/ | 1,543,743 | 1,574,618 | 1,574,618 | NP 1 |
| Alternatives to the Fort Logan Aftercare Program - G | 178,766 | 182,341 | 188,267 | 192,032 | 192,032 | NP 1 |
| Enhanced Mental Health Pilot Services for Detained Youth - GF | 0 | 426,227 c/ | 493,019 | 502,879 | 502,879 | NP 1 |
| Juvenile Mental Health Pilot (H.B. 00-1034) | 350,400 | 357,408 | 369,024 | 0 d/ | 0 | |
| General Fund | 175,200 | 178,704 | 184,512 | 0 | 0 | |
| Cash Funds Exempt (Local Funding) | 175,200 | 178,704 | 184,512 | 0 | 0 | |
| Alternatives to Inpatient Hospitalization for Youth - General Fund | 246,282 | 251,208 | 259,372 | 264,558 | 264,559 | NP 1 |

| | FY 2004-05 Actual | FY 2005-06 Actual | FY 2006-07 Appropriation | FY 2007-08 Request | FY 2007-08 Recommendation | Change Requests |
|---|---|---|---|---|---|---|
| Colorado Unified Supervision Treatment Program | | | | | | |
| General Fund | | | | 1,175,200 A | 0 | Recid. Reduc. #3 |
| | | | | | | Recommend v. Approp. |
| Subtotal - Mental Health Services for the Medically Indigent | 24,137,612 | 26,923,858 | 42,419,888 S | 44,300,849 A | 43,637,717 | 2.9% |
| General Fund | 17,755,199 | 20,356,570 | 35,451,208 S | 37,503,900 A | 36,840,768 | 3.9% |
| Cash Funds Exempt | 782,000 | 797,640 | 985,472 S | 813,741 A | 813,741 | -17.4% |
| Federal Funds | 5,600,413 | 5,769,648 | 5,983,208 | 5,983,208 | 5,983,208 | 0.0% |
| *Medicaid Cash Funds* | 0 | 0 | 0 | 0 | 0 | |
| *Medicaid - GF Therein* | 0 | 0 | 0 | 0 | 0 | |
| *Net General Fund* | 17,755,199 | 20,356,570 | 35,451,208 | 37,503,900 | 36,840,768 | 3.9% |

a/ $280,000 was appropriated for this purpose ($65,222 was reverted).

b/ $825,151 was appropriated for this purpose ($74,738 was reverted).

c/ $477,000 was appropriated for this purpose ($51,273 was reverted).

d/ No funding was requested for this program as it sunsets effective July 1, 2007.

| | | | | | | |
|---|---|---|---|---|---|---|
| **(2) Goebel Lawsuit** | | | | | | |
| Goebel Lawsuit Settlement | 18,119,075 | 18,482,831 | 0 S | 572,947 A | 0 | NP 1 |
| FTE | 2.0 | 2.0 | 0.0 S | 0.0 A | 0.0 | BA T-4 |
| General Fund | 6,301,590 | 6,432,224 | 0 S | 572,947 A | 0 | BA 1-F |
| Cash Funds Exempt (Medicaid and Voc Rehab) | 11,817,485 | 12,050,607 | 0 S | 0 A | 0 | (+late adjustment) |
| *For Information Only:* | | | | | | |
| *Medicaid Cash Funds* | *11,817,485* | *11,888,698* | *0 S* | *0* | *0* | |
| *Medicaid - GF Therein* | *5,908,743* | *5,944,349* | *0 S* | *0* | *0* | |
| *Net General Fund* | *12,210,333* | *12,376,573* | *0 S* | *572,947 A* | *0* | |

| | FY 2004-05 Actual | FY 2005-06 Actual | FY 2006-07 Appropriation | | FY 2007-08 Request | | FY 2007-08 Recommendation | Change Requests |
|---|---|---|---|---|---|---|---|---|
| **(3) Other** | | | | | | | | |
| Residential Treatment for Youth | | | | | | | | |
| (H.B. 99-1116) | 548,638 | 650,530 | 1,073,713 | S | 1,194,050 | A | 1,194,050 | BA 1-G |
| General Fund | 0 | 49,342 | 626,149 | S | 800,343 | A | 800,343 | |
| CFE (Medicaid, Including Tobacco Match) | 458,250 | 510,799 | 226,572 | S | 117,464 | A | 117,464 | |
| CFE (Direct Tobacco) | 90,388 | 90,389 | 220,992 | S | 276,243 | A | 276,243 | |
| *For Information Only:* | | | | | | | | |
| *Medicaid Cash Funds* | *458,250* | *510,799* | *226,572* | S | *117,464* | A | *117,464* | |
| *Medicaid - General Fund therein* | *229,125* | *46,371* | *34,278* | | *34,974* | | *34,974* | |
| *Net General Fund* | *229,125* | *95,713* | *660,427* | S | *835,317* | A | *835,317* | |
| | | | | | | | | Recommend v. Approp. |
| **TOTAL - (B) Mental Health Community Programs** | 42,805,325 | 46,057,219 | 43,493,601 | S | 46,067,846 | A | 44,831,767 | 3.1% |
| FTE | 2.0 | 2.0 | 0.0 | | 0.0 | | 0.0 | 0.0 |
| General Fund | 24,056,789 | 26,838,136 | 36,077,357 | S | 38,877,190 | A | 37,641,111 | 4.3% |
| Cash Funds Exempt | 13,148,123 | 13,449,435 | 1,433,036 | S | 1,207,448 | A | 1,207,448 | -15.7% |
| Federal Funds | 5,600,413 | 5,769,648 | 5,983,208 | | 5,983,208 | | 5,983,208 | 0.0% |
| *For Information Only:* | | | | | | | | |
| *Medicaid Cash Funds*** | *12,275,735* | *12,399,497* | *226,572* | S | *117,464* | | *117,464* | -48.2% |
| *Medicaid - General Fund therein* | *6,137,868* | *5,990,720* | *34,278* | S | *34,974* | | *34,974* | 2.0% |
| *Net General Fund*** | *30,194,657* | *32,828,856* | *36,111,635* | S | *38,912,164* | A | *37,676,085* | 4.3% |

** NOTE: These lines 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.

| | FY 2004-05 Actual | FY 2005-06 Actual | FY 2006-07 Appropriation | FY 2007-08 Request | FY 2007-08 Recommendation | Change Requests |
|---|---|---|---|---|---|---|
| **(C) Mental Health Institutes** | | | | | | |
| (Primary function: The Mental Health Institutes provide inpatient hospital care for seriously mentally ill citizens of Colorado. There are two state mental health institutes: the Colorado Mental Health Institute at Pueblo and the Colorado Mental Health Institute at Fort Logan. Cash and cash exempt sources are from client revenue sources, including Medicaid.) | | | | | | |
| Personal Services | 69,539,243 | | | | | |
| FTE | 1,148.3 | | | | | |
| Operating Expenses | 8,554,805 | | | | | |
| Mental Health Institutes | | 80,382,676 | 84,647,751 S | 88,248,399 A | 88,207,440 | BA 1-J |
| FTE | | 1,147.5 | 1,215.1 S | 1,242.9 A | 1,242.9 | BA 14 (bottom line) |
| Sol Vista Facility Services - CFE (consolidate in MHI) | | | 367,279 | 548,765 | 548,765 | |
| FTE | | | 3.8 | 5.0 | 5.0 | |
| La Vista Facility Services - CFE (consolidate in MHI) | | | 277,685 | 400,493 | 400,493 | |
| FTE | | | 2.6 | 5.0 | 5.0 | |
| General Hospital Personal Services | 2,687,789 | Consolidated below | | | | |
| FTE | 33.1 | | | | | |
| General Hospital Operating Expenses | 347,300 | Consolidated below | | | | |
| General Hospital | N/A | 3,086,303 | 3,226,086 S | 3,370,357 A | 3,379,847 | BA 1-J |
| FTE | | 36.0 | 36.0 | 36.0 A | 36.0 | |
| Educational Programs | 847,425 | 868,428 | 675,553 | 688,919 | 690,245 | |
| FTE | 14.0 | 12.3 | 15.0 | 15.0 | 15.0 | |
| Indirect Cost Assessment | 89,323 | | | | | |

| | FY 2004-05 Actual | FY 2005-06 Actual | FY 2006-07 Appropriation | | FY 2007-08 Request | | FY 2007-08 Recommendation | Change Requests Recommend v. Approp. |
|---|---|---|---|---|---|---|---|---|
| **TOTAL - Mental Health Institutes** | 82,065,885 | 84,337,407 | 89,194,354 | S | 93,256,933 | A | 93,226,790 | 4.5% |
| FTE | 1,195.4 | 1,195.8 | 1,272.5 | S | 1,303.9 | A | 1,303.9 | 31.4 |
| General Fund | 62,189,239 | 63,122,162 | 66,659,845 | S | 72,304,556 | A | 72,274,413 | 8.4% |
| Cash Funds | 1,139,809 | 3,420,066 | 4,844,403 | S* | 4,844,403 | A | 4,844,403 | 0.0% |
| Cash Funds Exempt | 18,405,490 | 17,471,305 | 17,045,142 | S* | 15,158,716 | A | 15,158,716 | -11.1% |
| Cash Funds Exempt - Special Initiatives (DYC/DC | 0 | 0 | 644,964 | | 949,258 | | 949,258 | 47.2% |
| Federal Funds | 331,347 | 323,874 | 0 | | 0 | | 0 | |
| *Medicaid Cash Funds*** | *4,661,345* | *3,911,062* | *5,461,954* | S* | *3,344,403* | A | *3,344,403* | -38.8% |
| *Medicaid - General Fund therein* | *2,330,672* | *1,955,531* | *2,730,942* | S* | *1,672,201* | A | *1,672,201* | -38.8% |
| *Net General Fund*** | *64,519,911* | *65,077,693* | *69,390,787* | S* | *73,976,757* | A | *73,946,614* | 6.6% |

* Includes supplemental revenue adjustment requested but not yet approved

** NOTE: These lines 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.

| | FY 2004-05 Actual | FY 2005-06 Actual | FY 2006-07 Appropriation | FY 2007-08 Request | FY 2007-08 Recommendation | Change Requests |
|---|---|---|---|---|---|---|
| **(D) Alcohol and Drug Abuse Division** | | | | | | |
| (Primary function: The Alcohol and Drug Abuse Division develops, supports, and advocates for comprehensive services to reduce alcohol, tobacco, and other drug abuse, and to promote healthy individuals, families, and communities. Cash fund sources include the Persistent Drunk Driver Cash Fund and the Drug Offender Surcharge Fund. The cash funds exempt is from Medicaid funds.) | | | | | | |
| *NOTE: Figures for the Alcohol and Drug Abuse Division were set 2/14/07. Thus, amounts shown in the Recommended column reflect Committee action for informational purposes. Items in bold reflect updated staff recommendations associated with recommendations on the Governor's Recidivism Reduction Package to be presented March 13, 2007. These figures may not reflect final Committee action on the Package as of March 14, 2007.* | | | | | | |
| **(1) Administration** | | | | | | |
| Personal Services | 1,729,322 | 1,900,449 | 2,018,998 S | 2,124,535 A | **2,058,002** | BA T-3, T-5 |
| FTE | 23.6 | 24.9 | 28.0 | 31.0 A | **30.0** | Recid #3 |
| General Fund | | 0 | 51,545 | 158,279 A | **91,746** | |
| Cash Funds | "Bottom-line funded" | 37,140 | 62,792 S | 37,805 | **37,805** | |
| Cash Funds Exempt (Medicaid) | in FY 2004-05 | 14,213 | 53,136 | 53,136 | **53,136** | |
| Cash Funds Exempt (Other Funds) | | 410,557 | 449,125 S | 472,915 A | **472,915** | |
| Federal Funds | | 1,438,539 | 1,402,400 S | 1,402,400 A | **1,402,400** | |
| *For Informational Purposes* | | | | | | |
| *Medicaid Cash Funds Exempt* | | *14,213* | *53,136* | *53,136* | ***53,136*** | |
| *Medicaid - General Fund therein* | | *7,107* | *26,567* | *26,567* | ***26,567*** | |
| *Net General Fund* | | *7,107* | *78,112* | *184,846 A* | ***118,313*** | |
| Operating Expenses | 141,128 | 140,453 | 195,790 S | 195,702 A | **191,902** | BA T-3 |
| General Fund | | | 0 | 3,800 A | **0** | Recid #3 |
| Cash Funds | "Bottom-line funded" | 37,810 | 17,676 S | 11,788 A | **11,788** | |
| Cash Funds Exempt (Medicaid) | in FY 2004-05 | 0 | 952 | 952 | **0** | |
| Cash Funds Exempt (Other Funds) | | 30,436 | 11,048 S | 13,048 | **14,000** | |
| Federal Funds | | 72,207 | 166,114 S | 166,114 A | **166,114** | |
| *For Informational Purposes* | | | | | | |
| *Medicaid Cash Funds Exempt* | | *0* | *952* | *952* | ***952*** | |
| *Medicaid - General Fund therein* | | *0* | *477* | *477* | ***477*** | |
| *Net General Fund* | | *0* | *477* | *4,277 A* | ***477*** | |
| Other Federal Grants - FF | 225,706 a/ | 457,383 S | 457,383 S | 457,383 A | 457,383 | BA T-6 |
| FTE | Other Federal Programs | 3.1 a/ | 0.0 | 0.0 | 0.0 | |

| | FY 2004-05 Actual | FY 2005-06 Actual | FY 2006-07 Appropriation | FY 2007-08 Request | FY 2007-08 Recommendation | Change Requests |
|---|---|---|---|---|---|---|
| Indirect Cost Assessment | 118,895 | 206,112 | 243,723 | 243,723 | 243,723 | |
| Cash Funds | | 1,687 | 3,280 | 3,280 | 3,280 | |
| Federal Funds | | 204,425 | 240,443 | 240,443 | 240,443 | |
| | | | | | | Request v. Approp. |
| **Subtotal - (1) Administration** | 1,989,345 | 2,704,397 | 2,915,894 S | 3,021,343 A | 2,951,010 | 3.6% |
| FTE | 23.6 | 28.0 | 28.0 | 31.0 A | 30.0 | |
| General Fund | 3,404 | 0 | 51,545 | 162,079 A | 91,746 | 214.4% |
| Cash Funds | 49,624 | 76,637 | 83,748 S | 52,873 | 52,873 | -36.9% |
| Cash Funds Exempt | 440,993 | 455,206 | 514,261 S | 540,051 A | 540,051 | 5.0% |
| Federal Funds | 1,495,324 | 2,172,554 | 2,266,340 S | 2,266,340 A | 2,266,340 | 0.0% |
| *Medicaid Cash Funds*** | *0* | *14,213* | *54,088* | *54,088* | *54,088* | *0.0%* |
| *Medicaid - General Fund therein* | *0* | *7,107* | *27,044* | *27,044* | *27,044* | *0.0%* |
| *Net General Fund*** | *3,404* | *7,107* | *78,589* | *189,123 A* | *118,790* | *140.6%* |

a/ $114,184 in additional federal funds were received in this area than were shown in the appropriation; in addition, 3.1 FTE are reflected.

**(2) Community Programs**

(a) Treatment Services

| | | | | | | |
|---|---|---|---|---|---|---|
| Treatment and Detoxification Contracts | 19,861,809 | 21,423,973 | 22,856,933 | 24,840,802 A | **21,873,468** | DI #25, NP#1 |
| General Fund | 7,639,903 | 9,647,704 | 11,187,675 | 12,303,544 A | **10,547,801** | Recid #2 |
| Cash Funds | 1,252,616 | 1,002,616 | 1,030,605 | 1,298,605 | **1,281,224** | JBC initiative |
| Cash Funds Exempt | 871,343 | 425,706 | 290,706 | 890,706 A | **0** | |
| Federal Funds | 10,097,947 | 10,347,947 | 10,347,947 | 10,347,947 | **10,044,443** | |
| Case Management - Chronic Detox Clients | 369,166 | 369,212 | 369,288 | 369,336 | 369,336 | NP #1 |
| General Fund | 2,283 | 2,329 | 2,405 | 2,453 | 2,453 | |
| Federal Funds | 366,883 | 366,883 | 366,883 | 366,883 | 366,883 | |
| High Risk Pregnant Women - CFE | 834,304 | 943,703 | 983,958 | 1,003,637 | 1,003,637 | NP #1 |
| *Medicaid Cash Funds* | *834,304* | *943,703* | *983,958* | *1,003,637* | *1,003,637* | |
| *Net General Fund* | *417,152* | *471,852* | *491,979* | *501,819* | *501,819* | |

| | FY 2004-05 Actual | FY 2005-06 Actual | FY 2006-07 Appropriation | FY 2007-08 Request | | FY 2007-08 Recommendation | Change Requests |
|---|---|---|---|---|---|---|---|
| Short-term Intensive Residential Remediation and Treatment (STIRRT) | | | | | | **3,004,103** | |
| General Fund | | | | | | **1,623,628** | |
| Cash Funds - DOS | | | | | | **55,610** | |
| Cash Funds Exempt - DOS | | | | | | **1,021,361** | |
| Federal Funds | | | | | | **303,504** | |
| Colorado Unified Supervision Treatment Program (CUSP) - General Fund | | *n/a* | *n/a* | 1,175,200 | A | **0** | Recid #3 Request v. Approp. |
| Subtotal - (a) Treatment Services | 21,065,279 | 22,736,888 | 24,210,179 | 27,388,975 | A | 26,250,544 | 13.1% |
| General Fund | 7,642,186 | 9,650,033 | 11,190,080 | 13,481,197 | A | 12,173,882 | 20.5% |
| Cash Funds | 1,252,616 | 1,002,616 | 1,030,605 | 1,298,605 | | 1,336,834 | 26.0% |
| Cash Funds Exempt | 1,705,647 | 1,369,409 | 1,274,664 | 1,894,343 | A | 2,024,998 | 48.6% |
| Federal Funds | 10,464,830 | 10,714,830 | 10,714,830 | 10,714,830 | | 10,714,830 | 0.0% |
| For Information Only: | | | | | | | |
| *Medicaid Cash Funds* | *834,304* | *943,703* | *983,958* | *1,003,637* | | *1,003,637* | *2.0%* |
| *Medicaid - General Fund therein* | *417,152* | *471,852* | *491,979* | *501,819* | | *501,819* | *2.0%* |
| *Net General Fund* | *8,059,338* | *10,121,885* | *11,682,059* | *13,983,016* | A | *12,675,700* | *19.7%* |
| Prevention and Intervention | | | | | | | |
| Prevention Contracts | 3,822,795 | 3,641,382 | 3,905,073 | 3,905,073 | | 3,887,298 | |
| General Fund | 0 | 0 | 33,329 | 33,329 | | 33,996 | |
| Cash Funds | 0 | 0 | 32,989 | 32,989 | | 27,072 | |
| Cash Funds Exempt | 0 | 0 | 12,525 | 12,525 | | 0 | |
| Federal Funds | 3,822,795 | 3,641,382 | 3,826,230 | 3,826,230 | | 3,826,230 | |
| Persistent Drunk Driver Programs | 277,340 | 475,057 | 513,221 | S | 733,675 | 733,675 | DI 24 |
| Cash Funds | 277,340 | 475,057 | 493,221 | S | 466,041 | 590,460 | |
| Cash Funds Exempt | 0 | 0 | 20,000 | | 267,634 | 143,215 | |
| Law Enforcement Assistance Contracts | 245,381 | 244,905 | 255,000 | | 255,000 | 255,000 | |
| Cash Funds (Law Enforcement CF) | 245,381 | 244,905 | 250,000 | | 250,000 | 250,000 | |
| Cash Funds Exempt | 0 | 0 | 5,000 | | 5,000 | 5,000 | Request v. Approp. |

| | FY 2004-05 Actual | FY 2005-06 Actual | FY 2006-07 Appropriation | FY 2007-08 Request | FY 2007-08 Recommendation | Change Requests |
|---|---|---|---|---|---|---|
| Subtotal - (b) Prevention and Intervention | 4,345,516 | 4,361,344 | 4,673,294 | 4,893,748 | 4,875,973 | 4.7% |
| General Fund | 0 | 0 | 33,329 | 33,329 | 33,996 | 0.0% |
| Cash Funds | 522,721 | 719,962 | 776,210 | 749,030 | 867,532 | -3.5% |
| Cash Funds Exempt | 0 | 0 | 37,525 | 285,159 | 148,215 | 659.9% |
| Federal Funds | 3,822,795 | 3,641,382 | 3,826,230 | 3,826,230 | 3,826,230 | 0.0% |
| *Medicaid Cash Funds* | *0* | *0* | *0* | *0* | *0* | |
| *Medicaid - General Fund therein* | *0* | *0* | *0* | *0* | *0* | |
| *Net General Fund* | *0* | *0* | *33,329* | *33,329* | 33,996 | |
| (c) Other Programs | | | | | | |
| Federal Grants | 954,922 | 1,291,556 | 5,063,429 S | 5,063,429 A | 5,063,429 | BA T-6 |
| FTE | 2.9 | 0.0 | 0.0 | 0.0 | | |
| Cash Funds Exempt (Transfer from Public Safety) | 0 | 0 | 195,500 | 195,500 | 195,500 | |
| Federal Funds | 954,922 | 1,291,556 | 4,867,929 S | 4,867,929 A | 4,867,929 | |
| Balance of Substance Abuse Grant, Block Grant Programs | 7,482,905 | 6,918,360 | 6,019,588 | 6,023,272 | 6,673,272 | NP 2 |
| General Fund | 238,770 | 178,398 | 184,196 | 187,880 | 187,880 | |
| Federal Funds | 7,244,135 | 6,739,962 | 5,835,392 | 5,835,392 | 6,485,392 | |
| *Medicaid Cash Funds* | 0 | 0 | 0 | 0 | 0 | |
| *Medicaid - General Fund therein* | 0 | 0 | 0 | 0 | 0 | |
| *Net General Fund* | 238,770 | 178,398 | 184,196 | 187,880 | 187,880 | |
| | | | | | | Request v. Approp. |
| Subtotal (c) Other Programs | 7,482,905 | 6,918,360 | 11,083,017 | 11,086,701 | 11,736,701 | 0.0% |
| FTE | 2.9 | 0.0 | 0.0 | 0.0 | 0.0 | |
| General Fund | 238,770 | 178,398 | 184,196 | 187,880 | 187,880 | 2.0% |
| Cash Funds Exempt | 0 | 0 | 195,500 | 195,500 | 195,500 | 0.0% |
| Federal Funds | 7,244,135 | 6,739,962 | 10,703,321 | 10,703,321 | 11,353,321 | 0.0% |
| *Medicaid Cash Funds* | *0* | *0* | *0* | *0* | *0* | |
| *Medicaid - General Fund therein* | *0* | *0* | *0* | *0* | *0* | |
| *Net General Fund* | *238,770* | *178,398* | *184,196* | *187,880* | *187,880* | 2.0% |

| | FY 2004-05 Actual | FY 2005-06 Actual | FY 2006-07 Appropriation | FY 2007-08 Request | FY 2007-08 Recommendation | Change Requests |
|---|---|---|---|---|---|---|
| | | | | | | Request v. Approp. |
| **Subtotal - (2) Community Programs** | 32,893,700 | 34,016,592 | 39,966,490 | 43,369,424 | 42,863,217 | 8.5% |
| FTE | 2.9 | 0.0 | 0.0 | 0.0 | 0.0 | |
| General Fund | 7,880,956 | 9,828,431 | 11,407,605 | 13,702,406 | 12,395,757 | 20.1% |
| Cash Funds | 1,775,337 | 1,722,578 | 1,806,815 | 2,047,635 | 2,204,366 | 13.3% |
| Cash Funds Exempt | 1,705,647 | 1,369,409 | 1,507,689 | 2,375,002 | 2,368,713 | 57.5% |
| Federal Funds | 21,531,760 | 21,096,174 | 25,244,381 | 25,244,381 | 25,894,381 | 0.0% |
| *Medicaid Cash Funds* | *834,304* | *943,703* | *983,958* | *1,003,637* | *1,003,637* | 2.0% |
| *Medicaid - General Fund therein* | *417,152* | *471,852* | *491,979* | *501,819* | *501,819* | 2.0% |
| *Net General Fund* | *8,298,108* | *10,300,283* | *11,899,584* | *14,204,225* | *12,897,576* | 19.4% |
| | | | | | | Request v. Approp. |
| **TOTAL - (D) Alcohol and Drug Abuse Division** | 34,883,045 | 36,720,989 | 42,882,384 | 46,390,767 | 45,814,227 | 8.2% |
| FTE | 26.5 | 28.0 | 28.0 | 31.0 | 30.0 | |
| General Fund | 7,884,360 | 9,828,431 | 11,459,150 | 13,864,485 | 12,487,503 | 21.0% |
| Cash Funds | 1,824,961 | 1,799,215 | 1,890,563 | 2,100,508 | 2,257,239 | 11.1% |
| Cash Funds Exempt | 2,146,640 | 1,824,615 | 2,021,950 | 2,915,053 | 2,908,764 | 44.2% |
| Federal Funds | 23,027,084 | 23,268,728 | 27,510,721 | 27,510,721 | 28,160,721 | 0.0% |
| *Medicaid Cash Funds** | *834,304* | *957,916* | *1,038,046* | *1,057,725* | *1,057,725* | 1.9% |
| *Medicaid - General Fund therein* | *417,152* | *478,959* | *519,023* | *528,863* | *528,863* | 1.9% |
| *Net General Fund** | *8,301,512* | *10,307,390* | *11,978,173* | *14,393,348* | *13,016,366* | 20.2% |

* NOTE: These lines 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.

| | FY 2004-05 Actual | FY 2005-06 Actual | FY 2006-07 Appropriation | FY 2007-08 Request | FY 2007-08 Recommendation | Change Requests |
|---|---|---|---|---|---|---|
| | | | | | | Request v. Approp. a/ |
| **TOTAL - (4) Mental Health and Alcohol and Drug Abuse Services** | 182,867,268 | 189,434,179 | 201,817,810 | 212,445,408 | 210,519,561 | 5.3% |
| FTE | 1,259.1 | 1,265.9 | 1,349.1 | 1,388.0 | 1,385.5 | |
| General Fund | 94,522,743 | 100,068,485 | 114,820,073 | 125,867,179 | 123,150,920 | 9.6% |
| Cash Funds | 3,523,311 | 6,577,202 | 8,240,284 | 8,452,745 | 9,034,264 | 2.6% |
| Cash Funds Exempt | 34,116,016 | 33,260,579 | 22,007,269 | 21,551,840 | 21,118,974 | -2.1% |
| Federal Funds | 50,705,198 | 49,527,913 | 56,750,184 | 56,573,644 | 57,215,403 | -0.3% |
| *Medicaid Cash Funds*** | *18,051,971* | *17,567,478* | *7,033,923* | *4,837,591* | *4,836,647* | -31.2% |
| *Medicaid - General Fund therein* | *9,025,985* | *8,574,711* | *3,437,919* | *2,395,038* | *2,394,568* | -30.3% |
| *Net General Fund*** | *103,548,728* | *108,643,196* | *118,257,992* | *128,262,217* | *125,545,488* | 8.5% |

** NOTE: These lines are included for informational purposes only. Medicaid Cash Funds are classified as Cash Funds Exempt for the purpose of delineating all expenditures, including double-counts. 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.

| | FY 2005-06 Actual | FY 2006-07 Appropriation | Fiscal Year 2006-07 Supplemental Requested Change | Recommended Change | New Total with Recommendation |
|---|---|---|---|---|---|
| **Late FY 2006-07 Supplemental** | | | | | |
| **DEPARTMENT OF HUMAN SERVICES** | | | | | |
| **Mental Health and Alcohol and Drug Abuse Services** | | | | | |
| **Executive Director - Karen Beye** | | | | | |
| **FY 2006-07 Supplemental - Mental Health Institute Revenue Projection** | | | | | |
| **(4) MENTAL HEALTH AND ALCOHOL AND DRUG ABUSE SERVICES** | | | | | |
| **(C) Mental Health Institutes** | | | | | |
| Mental Health Institutes - bottom line | 84,337,407 | 89,194,354 | 0 | 0 | 89,194,354 |
| FTE | 1,195.8 | 1,272.5 | 0.0 | 0.0 | 1,272.5 |
| General Fund | 63,122,162 | 66,659,845 | 0 | 0 | 66,659,845 |
| Cash Funds | 3,420,066 | 4,288,838 | 555,565 | 555,565 | 4,844,403 |
| Cash Funds Exempt | 17,471,305 | 18,245,671 | (555,565) | (555,565) | 17,690,106 |
| Federal Funds | 323,874 | 0 | | | |
| *Medicaid Cash Funds* | *3,911,062* | *4,268,338* | *1,193,616* | *1,193,616* | *5,461,954* |
| *Medicaid - General Fund portion* | *1,955,531* | *2,134,169* | *596,808* | *596,808* | *2,730,977* |
| *Net General Fund* | *65,077,693* | *64,220,684* | *596,808* | *596,808* | *64,817,492* |

Key:
"N.A." = Not Applicable
"Net General Fund" = Sum of General Fund appropriated to the Department of Human Services and the General Fund portion of Medicaid Cash Funds appropriated to the Department of Health Care Policy and Financing.

| | FY 2005-06 Actual | FY 2006-07 Appropriation | Fiscal Year 2006-07 Supplemental Requested Change | Recommended Change | New Total with Recommendation |
|---|---|---|---|---|---|
| **Late FY 2006-07 Supplemental** | | | | | |
| ***DEPARTMENT OF HEALTH CARE POLICY AND FINANCING*** **FY 2006-07 Adjustments Associated with Human Services Supplementals Above** | | | | | |
| **(6) Department of Human Services Medicaid-Funded Programs** | | | | | |
| **(F) Mental Health and Alcohol and Drug Abuse Services - Medicaid Funding** | | | | | |
| Mental Health Institutes | 3,911,062 | 4,268,338 | 1,193,616 | 1,193,616 | 5,461,954 |
| General Fund | 1,955,531 | 2,134,169 | 596,808 | 596,808 | 2,730,977 |
| Cash Funds | 0 | 0 | 0 | 0 | 0 |
| Cash Funds Exempt | 0 | 0 | 0 | 0 | 0 |
| Federal Funds | 1,955,531 | 2,134,169 | 596,808 | 596,808 | 2,730,977 |

**DEPARTMENT OF HUMAN SERVICES**
**MENTAL HEALTH AND ALCOHOL AND DRUG ABUSE DIVISION**
**Administration and Mental Health Sections ONLY**
**FY 2007-08 FIGURE SETTING**
JBC WORKING DOCUMENT - DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

## (4) MENTAL HEALTH AND ALCOHOL AND DRUG ABUSE SERVICES

***Human Services Division Responsibilities***
House Bill 04-1265 transferred responsibility for the Medicaid Mental Health community programs (except for Goebel) to the Department of Health Care Policy and Financing**.** The FY 2004-05 budget was commensurately adjusted in the FY 2004-05 Long Bill. As a result of this, the vast majority of funding for community mental health services is now located in the Department of Health Care Policy and Financing.

During the 2007 legislative session, the Joint Budget Committee is sponsoring legislation (S.B. 07-132) to eliminate references to the Goebel lawsuit settlement from statute, since the case was dismissed with prejudice in March 2006. Funding changes for FY 2006-07 have been included in the Human Services and Health Care Policy and Financing supplemental appropriations bills.

With the above adjustments, the Department's Office of Behavioral Heath and Housing (identified in the Long Bill as Mental Health and Alcohol and Drug Abuse Services) has responsibility and funding for the following:

- Supportive Housing and Homelessness programs, the Traumatic Brain Injury program, and central administration of the Division;
- non-Medicaid funded Mental Health Community Programs (e.g., Indigent Mentally Ill),
- the Mental Health Institutes; and
- the Alcohol and Drug Abuse Division.

***Numbers Included in this Packet***
The narrative portion of this packet addresses Mental Health and Alcohol and Drug Abuse Services - Administration, Community Mental Health Programs, and Mental Health Institutes ONLY. Figure setting for the Alcohol and Drug Abuse Division was completed on February 14, 2007, pending action on items related to the Governor's Recidivism Reduction Initiative. Figure setting for the Recidivism Reduction Initiative was scheduled for March 13, 2007. *Staff has included, for informational purposes, the numbers pages for the Alcohol and Drug Abuse Division at the time the current document went to print.* These numbers pages include Committee action on February 14, 2007 and the staff recommendation for the Recidivism Reduction Initiative but may not reflect final

Committee action on the Recidivism Reduction Initiative, if this differed from the staff recommendation.

Similarly, please note that the Committee will likely have taken action on the Recidivism Reduction items that are included in the current mental health packet prior to the Mental Health and Alcohol and Drug Abuse Services figure setting on March 14, 2007. Numbers included in the current packet reflect the staff recommendation at the time the current document went to print. These figures may differ from final committee action on the Recidivism Reduction Initiative. Staff will incorporate March 13, 2007 Committee action on the Recidivism Reduction Initiative, as well as Mental Health figure setting action taken on March 14, 2007, into final line item appropriations

***Recent Funding History for Mental Health Services***

The tables below reflect the cuts taken services for services to indigent mentally ill clients in FY 2002-03 and FY 2003-04 and the Committee's efforts to restore funding in FY 2005-06 and FY 2006-07. As reflected in the tables, the Committee has now slightly exceeded in restorations the amounts previously cut for direct services to mentally ill indigent clients. In addition to the direct service amounts, $125,000 was cut from mental health administration. This amount has not been restored to date.

| **FY 2002-03 to FY 2004-05 General Fund Reductions in Indigent Mental Health** | |
|---|---|
| Services to Indigent Mentally Ill Clients | $5,798,932 |
| Early Childhood Mental Health Services | 700,000 |
| Residential community services | 904,108 |
| Early Intervention Services | 351,192 |
| **Total - GF Reductions to Indigent Mental Health** | **$7,754,232** |

| **JBC Actions to Restore General Fund in Mental Health** | |
|---|---|
| **Program Funded** | **FY 2006-07 (Annualized Figure)** |
| **Mental Health** | |
| Mental Health Services for the Medically Indigent | $5,800,000 |
| Fort Logan Residential Alternative | 900,000 |
| Early Childhood Mental Health Services | 1,100,000 |

| JBC Actions to Restore General Fund in Mental Health | |
|---|---|
| **Program Funded** | **FY 2006-07 (Annualized Figure)** |
| **Total - Restorations to Indigent Mental Health** | **7,800,000** |

***Decision Item #8 (Mental Health Services)***

This decision item affects three line items in two subdivisions in this packet and is therefore described here .

| Decision Item #8 (Mental Health Services) | Request | | Recommend | |
|---|---|---|---|---|
| | Amount | FTE | Amount | FTE |
| **MH and ADAD Services** | | | | |
| *Administration* | | | | |
| Personal Services | 117,234 | 2.0 | 107,464 | 2.0 |
| Operating Expenses | 11,010 | 0.0 | 8,760 | |
| *MH Services for the Medically Indigent* | | | | |
| Services for 9,225 Indigent Mentally Ill Clients | 1,372,788 | 0.0 | 1,372,788 | 0.0 |
| Total | 1,501,032 | 2.0 | 1,489,012 | 2.0 |

The purpose of this decision item is to provide appropriate mental health services to an additional 446 children with serious emotional disturbance and adults with serious mental illness, who live under 300 percent of the federal poverty level and who do not currently receive care in any systems.

The request includes: (1) providing mental health services to an estimated 466 children and adults at a cost of $3,078 per person (base cost of $3,018 + 2.0 percent cost of living increase); and (2) enhancing the division of mental health's capacity to provide adequate financial and contractual oversight of the service delivery system, including quality assurance and monitoring, through site reviews, technical assistance and training.

The FY 2007-08 decision item cites overall performance increases associated with the request for both direct care dollars and administrative dollars including: (1) increasing the percentage of consumers reporting agreement with access survey items from the consumer survey from 74.4 to

76.0 percent; (2) increasing the percentage of children and families reporting agreement with access survey items from the Youth Services Survey for families from 71.6 percent to 73.0 percent; and (3) increasing the percentage of consumers with a documented encounter and a completed Colorado Client Assessment Record. The two major components of the request - administrative and direct service - are reviewed separately below.

Direct Service Portion of Request

The Division's 2002 publication of Colorado's "population in need" of mental health services estimates that 66,453 Coloradans have a serious emotional disturbance or serious mental illness, are living at under 300 percent of the federal poverty level, and are not receiving needed mental health care from any system. The Division estimates that 51,867 of the 66,453 with serious mental health needs would not have any private insurance or be eligible for Medicaid. Further, the Division estimates that, of the 51,867, approximately one-third would actively seek treatment, resulting in an estimates of 17,300 with unmet mental health needs.

The Division also notes that data collected nationally (by federal sources) reveal that Colorado had a much lower rate of utilization of community mental health services in fiscal year 2005 than that of the U.S. as a whole. Colorado has a rate per 1,000 of 13.32 and the U.S. rate is 18.44 with 54 states and territories reporting.

The Department points to evidence, as it has done in the past, that increasing funding for mental health services will likely decrease costs to other systems for serving people with mental illness.

Specifically, it cites:

- The growth of persons with mental illness in the prison system and the youth corrections. Adult inmates with mental illness have increased from 3 percent to 20 percent of the prison population from 1991 to 2003; 41 percent of youth commitment population estimated as having high-moderate to "severe" mental health needs in FY 2004-05.
- a reported 83 percent growth in persons the number of mental health and substance abuse emergency department admissions over a three year period.
- its own studies showing mental health treatment reduces incarceration stays by two weeks and reduces repeat arrests by 44 percent
- the lower cost of mental health treatment compared to costs of incarceration.

The Department provided a cost-benefit analysis for the request indicating that the request could be anticipated to save $3.8 million in savings/avoided costs. This included: $30,582 in the adult

criminal justice system, $2,667 in the juvenile justice system, and $3,769,160 in savings associated with avoided inpatient hospitalization.

**Staff recommends the direct service portion of the request.** As has been discussed at length by the Committee in the past, there is considerable evidence of unmet need for mental health services for the indigent in Colorado. While the Joint Budget Committee has restored previous mental health cuts, this essentially brings the state's funding level back to its status when the population in need estimates were first developed. The current request increase would have only a marginal impact on unmet need as calculated by the Department (466 funded out of estimated need of 17,300).

The Department attempts to quantify these savings in its analysis. **The savings it calculates associated with the criminal justice system are notably a tiny fraction of the total program cost** ($35,249 total savings for $1.5 million request). Such savings are based on an assumption that 9 percent of youth that benefit from treatment provided by the request and 10.3 percent of adults have contact with the criminal justice system (based on Colorado Client Assessment CCAR data) and that treatment funded through the request would reduce average days of adult incarceration by 13 (based on data from the Assertive Community Treatment programs) and 2.1 days for children (based on H.B. 00-1034 program results). **Based on these calculations, even if the State targeted 100 percent of the new funding to individuals with criminal justice involvement, total associated savings would be 20 percent of the total program cost, i.e., the program would not be cost-effective.** Staff further notes that this savings estimate is based on a particular, intensive program model; there is no guarantee that any of the funding associated with this decision item would be used for such services.

**The bulk of the savings cited in the in the decision item are based on a reduction in inpatient hospitalization. However, it is important to note that associated savings are not likely to be realized in the state budget: there is no suggestion in the request that beds at the mental health institutes would be closed (or opening of new beds avoided) by the request**. To the extent that the avoided costs are in public and private hospitals other than the mental health institutes, any savings would accrue indirectly to the hospitals' bottom line and/or costs shifted to other clients' bills, since the State currently provides no direct funding to hospitals for the indigent mentally ill population, apart from general uncompensated care payments provided through the Colorado Indigent Care program.

**Staff does not believe the request is justified based on cost savings to state government. Nonetheless, staff acknowledges that there are likely a variety of significant social and economic benefits associated with mental health treatment that accrue to the state and its**

**population at large.** For example, individuals who receive appropriate mental health treatment are more likely to be employed and less likely to be homeless. The World Health Organization estimates that the cost of mental health problems in developed countries is between 3 percent and 4 percent of gross national product, much of which is based on workplace productivity lost due to mental illness. *Notably, individuals who are medically indigent–as opposed to eligible for Medicaid–are those who do work some of the time; this is why they aren't eligible for Medicaid*.

Staff also notes that individuals with significant mental health problems also have far more medical problems for which they rely on hospital emergency room treatment. As reflected in the request, much of the costs associated with serving the medically indigent in hospitals ultimately falls on paying consumers of hospital services, their insurers, and insurance rate-payers, whose fees must cover much of the cost of uncompensated care in hospitals.

**Notes on Distribution of Funding:** During the FY 2007-08 staff budget briefing presentation, staff presented information to the Committee regarding a funds distribution plan advocated by the Colorado Behavioral Heathcare Council (CBHC) and compared that with population in need figures provided by the Department. As reflected in that presentation, staff felt that the Department's plan to distribute funds based on population in need estimates was more reasonable than the CBHC proposal. *Overall, it is staff's expectation that funds appropriated by the General Assembly will be distributed to promote equitable services throughout Colorado, based primarily on population in need*. The Colorado Behavioral Healthcare Council has suggested that much of the difference between its distribution proposal and the Department's may have to do with problems in the Department's calculations of population in need on a regional basis. Staff anticipates that the Department will work with CBHC to determine whether such errors exist. *Ultimately, staff believes it is the Department's responsibility to ensure that its allocation plans are reasonably designed to meet service needs throughout Colorado*. Staff will continue to monitor this issue with the Department.

Administrative Portion of Request

The Department argues for the administrative portion of this request on the grounds that, due to a number o changes, the Division's oversight and reporting capacity for the public mental health system has been significantly eroded, while its responsibilities have increased. This includes staffing losses associated with the move of the capitation program to the Department of Health Care Policy and Financing and the increased contract management and program oversight demands for special programs, such as the H.B. 99-1116 program, TurnaAbout, Alternatives to Inpatient Hospitalization, etc.

The state provides program approval for 17 mental health centers, 7 clinics, 20 hospitals, and the two mental health institutes, and 60 residential treatment facilities. This includes monitoring clinical services and outcomes and service utilization through data, site reviews, file review, among other activities. The Division reports it has reevaluated its business plan and shifted resources to keep up with competing demands, but it nonetheless has fewer resources with which to meet statutory demands. Some activities, such as certain quality improvement studies, have been discontinued due to lack of resources. At the same time, increased focus on community-based mental health services and diversion from inpatient settings (e.g., through the development of Alternative Treatment Units or ATUSs) has created a greater need for monitoring of community programs.

The request notes that in FY 2002-03 Colorado's per capita expenditures for mental health administration totaled $0.36, while the national average per capita equaled $1.83 and the median equaled $1.51. In eight states with similar responsibility, per capita expenditures for mental health administration equaled $3.75. The Department also notes that the Alcohol and Drug Abuse Division has similar responsibilities but an administrative staff double the size of this unit.

**Staff recommends the administrative portion of the request.** In making the recommendation, staff has taken the following issues into consideration:

- To all accounts, the Department is having difficulty complying with statutorily mandated responsibilities. This may well reflect, in part, staffing shortfalls. The Department has indicated that the requested staff would: (1) provide an assistant to the current mental health services budget manager; and (2) add a staff member in the program monitoring division.

- Funding for community mental health administration was reduced in FY 2003-04 by $124,000, associated with reductions in community mental health direct service funding. While direct service funding has been restored, administrative funding has not. The original cuts were based on "fairness", not on any evidence that the Division was over-staffed.

- While 2.0 FTE were transferred from the former Goebel line item, these FTE should be able to take on a broader array of tasks for the Division, since Goebel-specific oversight should no longer be required. This should partially address the Department's staffing situation, but the Department has indicated that additional staff are still required.

The staff recommendation for the administrative portion of the request includes the following components. It includes the following minor differences from the request: (1) the first year's FTE

costs are calculated for 11, rather than 12, months, due to the pay date shift; (2) travel costs are reflected at common policy of $0.35 per mile for two-wheel vehicles. Staff has reflected such costs for 1.0 FTE only, as staff does not anticipate that a budget position (one of the two) will require substantial travel funding; (3) staff has reflected appropriate annualization for FY 2008-09, which was not clearly outlined in the request.

| **Mental Health FTE - Staff recommendation** | **FY 07-08** | **FY 08-09** |
|---|---|---|
| **Personal Services** | 11 mos | 12 mos |
| General Professional IV (2.0 FTE) @$4,377 each per month | $96,294 | $105,048 |
| PERA @10.15% and Medicare @1.45% | 11,170 | 12,186 |
| **Subtotal** | **107,464** | **117,234** |
| **Operating Expenses** | | |
| General operating @$500/FTE | $1,000 | $1,000 |
| Capital outlay @$2,021/FTE | 4,042 | 0 |
| Desktop computer @$690/FTE | 1,380 | 0 |
| Software @$294/FTE | 588 | 0 |
| Travel ($.35 x 5,000 miles for 1.0 FTE) | 1,750 | 1,750 |
| **Subtotal** | **8,760** | **2,750** |
| **TOTAL** | **$116,224** | **$119,984** |

While staff is recommending the requested FTE, staff would caution the Department regarding the (M) notation previously applied to its personal services line item due to what the JBC deemed to be inappropriate use of federal funds for administrative functions. **Staff anticipates that the Department will comply with the General Assembly's expectation that any increase in federal funds expenditures for administrative purposes will drive General Fund reductions, unless adjustments to federal funds levels in the line item are approved.**

Additional background information that may be relevant to the Committee's decision on this issue is reviewed below.

*Statutory Responsibilities*
As reflected in the Department request, the Division does have specific statutory responsibilities with respect to mental health services. Pursuant to Section 27-1-205, C.R.S., the Executive Director of the Department of Human Services is to approve or reject community mental health clinics for the purchase of mental health service based on a variety of factors including the adequacy of services and the qualifications of staff. The Department is to specify the levels and types of services and the minimum standards for programs supported with state funds. Section 25-1.5-103 specifies that while the Department of Public Health and Environment is primarily responsible for licensure of community mental health centers, the Department of Human Services has primary responsibility for program approval.

*Previous Cuts*
In FY 2003-04, associated with the dramatic cuts to community mental health services, the General Assembly also took a cut of $124,000 General Fund to mental health administration. The only basis for this cut was the level of cuts taken to direct services, rather than any specific change in workload or responsibilities for the Division. While funding for community mental health direct services has been restored in recent years, administrative funding has not been restored. Further, as reflected in the request, the Division was substantially affected by the transfer of FTE and funding for Medicaid programs to the Department of Health Care Policy and Financing To the extent that there were any efficiencies of scale associated with consolidation of Medicaid and non-Medicaid programs in one department, such efficiencies were lost through the transfer.

*Past Problems and Decision Items*
There have been a number of significant issues and problems related to staffing for this Division in the last several years. In particular, staff determined that in FY 2004-05 the Department had used over $270,000 in state and federal funding that could have been used for direct services for Division administrative staff. This included inappropriate spending from the indigent mental health line, that is a pass though to community mental heath centers, for Department administrative costs. The Committee's response included: (1) reducing General Fund for administrative costs and increasing federal amounts reflected; (2) attaching an "(M)" notation to ensure that increases in federal expenditures would be matched with General Fund decreases; and (3) adding footnote 57 and 59 to specify the General Assembly's intent that the indigent line item be used solely for pass-through funding to community mental health centers.

Based on a review of expenditures from the indigent mentally ill line item in FY 2005-06, it does not appear that expenditures for FTE or salaries are being made from the line item, apart from a

minor accounting error. However, it does appear that certain operating expense amounts have been included. These include $21,100 for a Western Interstate Commission for Higher Education membership, that apparently results in provision of data for the Department. In addition, Department indirect operating expenses in the amount of $42,616 were booked to this line item**.** Costs associated with the Mental Health Planning Council were also booked to this line item. **Staff is concerned that these expenditures run contrary to the Committee's expectation and Long Bill footnotes specifying that the intent of this line item is pass-through funding to community mental health centers**. Staff's understanding is that the Department may have charged some items to this line item that may not be appropriate from a State perspective in part related to federal definitions of direct program costs versus administration, i.e., WICHE membership costs are not considered "administration" from a federal perspective. That said, it is difficult to imagine that indirect costs are not administrative costs from a federal perspective. Staff believes it is imperative that the Department ensure that federal amounts that are not allocated to community mental health centers are not expended from this line item; if necessary, it should submit budget requests to modify administrative line items or to add a new federal-funds line item to reflect such costs.

For FY 2006–07, the Department also requested an additional 2.0 FTE ($130,411). The request for 2.0 FTE was denied, on the grounds that the Department had not demonstrated the added value to be provided by the additional staff and also that JBC staff had not had success determining the staffing and funding roles for the FTE in this Division.

***Governor's Recidivism Reduction Priority #3 (Colorado Unified Supervision and Treatment Program - CUSP)***

This decision item affects three line items in two subdivisions in this packet, as well as departments and line items not covered in this packet. Figure setting for this initiative is scheduled for March 13, 2007. Amounts approved by the JBC will be incorporated into final amounts for the line items shown below.

The Governor's recidivism reduction package, submitted February 9, 2007, includes funding for the Colorado Unified Supervision Treatment Program (CUSP). The CUSP request includes $3,094,267 General Fund and 11.0 FTE (and 8.0 contract staff) in four departments: Human Services, Judicial, Corrections, and Public Safety (Division of Criminal Justice). The table below summarizes the amounts requested.

The overall request for CUSP, assembled by the Interagency Advisory Committee on Adult and Juvenile Correctional Treatment, proposes four demonstration program projects in four judicial districts, serving an estimated 208 offenders total. Each demonstration program would have a local interdisciplinary team, with representatives from probation, the Department of Corrections, mental

health and substance abuse, to supervise and treat offenders participating in the program. The program is designed to reduce recidivism for adult offenders and result in downstream cost avoidance for the State.

As reviewed in the Recidivism Reduction Package Presentation on March 13, 2007, staff has recommended against this request.

| **Colorado Unified Supervision Treatment Program** | | | | |
|---|---|---|---|---|
| | **Request** | | **Recommendation** | |
| | Amount (General Fund) | FTE | Amount (General Fund) | FTE |
| **Department of Human Services** | | | | |
| *Mental Health and Alcohol and Drug Abuse Services* | | | | |
| Administration | | | | |
| Personal Services | $60,666 | 1.0 | $0 | 0.0 |
| Operating Expenses | 3,800 | 0.0 | 0 | 0.0 |
| CUSP Administration | 0 | 0.0 | 0 | 0.0 |
| Mental Health Community Programs | | | | |
| Mental Health Services for the Medically Indigent | | | | |
| Colorado Unified Supervision Treatment Program (CUSP) | 1,175,200 | 0.0 | 0 | 0.0 |
| Alcohol and Drug Abuse Division | | | | |
| *Administration* | | | | |
| Personal Services | 60,666 | 1.0 | 0 | 0.0 |
| Operating Expenses | 3,800 | 0.0 | 0 | 0.0 |
| *Community Programs, Treatment Services* | | | | |
| Colorado Unified Supervision Treatment Program (CUSP) | 1,175,200 | 0.0 | 0 | 0.0 |
| Total - Department of Human Services | $2,479,332 | 2.0 | $0 | 0.0 |

| **Colorado Unified Supervision Treatment Program** | | | | |
|---|---|---|---|---|
| | **Request** | | **Recommendation** | |
| | Amount (General Fund) | FTE | Amount (General Fund) | FTE |
| Total - Judicial Department | $257,864 | 4.0 | $0 | 0.0 |
| Total - Department of Corrections | $289,464 | 4.0 | $0 | 0.0 |
| Total - Department of Public Safety | $67,607 | 1.0 | $0 | 0.0 |
| **GRAND TOTAL - CUSP** | **$3,094,267** | **11.0** | **$0** | **0.0** |

## ADMINISTRATION

The Administration section contains appropriations for the central administration of mental health and alcohol and drug abuse services for adults and children. It also includes funding for federal housing programs for low income and indigent persons who require specialized care. The primary source of the cash funds exempt in this section is Medicaid cash funds transferred from the Department of Health Care Policy and Financing. The primary source of federal funds is the U.S. Department of Housing and Urban Development.

*Staffing Summary:*

| Administration Section (all lines) | FY 2005-06 Actual | FY 2006-07 Appropriation | FY 2007-08 Request | FY 2007-08 Recomm. |
|---|---|---|---|---|
| Management | 3.3 | 4.0 | 5.0 | 5.0 |
| Program and Grants Admin. | 33.4 | 30.6 | 30.6 | 30.6 |
| Support Staff | 3.4 | 3.5 | 3.5 | 3.5 |
| Sup/BA T-6 (federal fund) | n/a | 10.5 | 10.5 | 10.5 |
| Supp/BA T-4 (Goebel) | n/a | 2.0 | 2.0 | 2.0 |
| Supp/BA T-5 (ADAD) | n/a | -2.0 | -2.0 | -2.0 |
| Decision Item #8 (MH staff) | n/a | n/a | 2.0 | 2.0 |

| Administration Section (all lines) | FY 2005-06 Actual | FY 2006-07 Appropriation | FY 2007-08 Request | FY 2007-08 Recomm. |
|---|---|---|---|---|
| Decision Item #22 (TBI) | n/a | n/a | 1.0 | 0.5 |
| Late Budget Amendment - FTE | n/a | n/a | 1.5 | 1.5 |
| Recid Reduc #3 | n/a | n/a | 1.0 | 0.0 |
| Total | 40.1 | 48.6 | 55.1 | 53.6 |

Please note, some of the managers and staff noted above also oversee the State Veteran's Nursing Homes, discussed in a separate budget presentation.

**Personal Services**

The request is for $1,788,245, including$938,571 net General Fund, and 19.5 FTE. The request includes funding and 2.0 FTE for Decision Item #8 (mental health administrative staff), 1.5 FTE for a late budget amendment to increase FTE authority, and 1.0 FTE for Recidivism Reduction Priority #3 (CUSP). The components of the request and recommendation are reflected in the table below.

| | Request | | Recommend | |
|---|---|---|---|---|
| | Amount | FTE | Amount | FTE |
| FY 2006-07 Long Bill | 1,510,054 | 16.6 | 1,510,054 | 16.6 |
| Supp/BA T-4 (Goebel) | 178,424 | 2.0 | 178,424 | 2.0 |
| Supp/BA T-5 (ADAD) | (121,202) | -2.0 | (121,202) | -2.0 |
| FY 2006-07 Approp | 1,567,276 | 16.6 | 1,567,276 | 16.6 |
| Salary Survey | 46,089 | | 51,741 | |
| Common policy base reduc. | (3,020) | | (8,095) | |
| Decision Item #8 | 117,234 | 2.0 | 107,464 | 2.0 |
| Recid Reduction #3 | 60,666 | 1.0 | 0 | 0.0 |
| BA - FTE Adjustment | 0 | 1.5 | 0 | 1.5 |
| Total | $1,788,245 | 21.1 | $1,718,386 | 20.1 |

The staff recommendation includes $718,202 General Fund and $871,095 “net” General Fund.

The components of the request and recommendation are reviewed below.

***Continuation of Supplementals/Budget Amendments T-4 and T-5.*** Both of these supplementals/budget amendments had net $0 fiscal impact; however, they moved funds among line items. Supplemental/Budget Amendment T-4 moved funds from the former Goebel Lawsuit Settlement line item to the mental health services for indigent clients line item and to the mental health administration personal services and operating expense line items for amounts associated with 2.0 FTE. Supplemental/Budget Amendment T-5 moved 2.0 FTE and associated federal substance abuse block grant funds from this line item to the Alcohol and Drug Abuse Division (ADAD) personal services line item, since the FTE and dollars were for ADAD functions. The request and recommendation include continuation of these changes in the FY 2007-08 budget.

***Salary Survey and Personal Services Base Reduction.*** The request and recommendation were calculated according to OSPB and JBC common policy, including a 0.5 percent personal services reduction for the recommendation. Note that staff has reflected a *higher* salary survey amount than the request. This is because staff has incorporated the salary survey associated with the 2.0 FTE moved from the Goebel lawsuit settlement line item. These FTE were moved to this line item per Supplemental/Budget Amendment T-4. The request inadvertently left funding associated with salary survey in the Goebel Lawsuit Settlement line item, which is now eliminated. The recommendation corrects this.

***Decision Item #8 (Community Mental Heath Services)***
Decision Item #8 includes increases for both mental health services for the indigent and administration. The staff recommendation for the personal services line item, included on the table above, is part of the overall staff recommendation for Decision Item #8 included at the beginning of this packet.

***Recidivism Reduction Initiative #3 (CUSP)***
Recidivism Reduction Initiative #3, for the Colorado Unified Supervision Program) includes increases in direct services, as well as and administration. The staff recommendation for the personal services line item, included on the table above, is part of the overall staff recommendation for the initiative included at the beginning of this packet.

***Budget Amendment - FTE Adjustment***
In FY 2005-06, funding associated with staff providing direct services to indigent clients was moved from other line items to the mental health administration line item in order to show all personal

services and operating costs for the Division of Mental Health in one section in the Long Bill. However, FTE authority associated with those dollars was not increased to account for the personal services costs formerly paid out of the mental indigent line item. As a result, the Division is holding key positions vacant in order to stay within its FTE authority. These staff perform the following essential functions: (1) monitoring the programmatic/clinical services and outcomes fo the treatment of Colorado's youth in approximately 60 residential treatment facilities for certification purposes. This position reviews 17 community mental health centers, 7 clinics, and 12 "27-10 facilities", review clinical documentation and enforces corrective action plans, as well as providing training and technical assistance. Responsibilities include investigating 100 alleged critical incidents annually, with a special focus on children. (2) add 0.5 FTE to an existing 0.5 FTE data and evaluation position. This position is responsible for developing and revising the Colorado Client Assessment Record (CCAR).

**Staff Recommendation**: Staff recommends the request. Last year, staff recommended a request for $273,843 General Fund for FY 2006-07 but no increase in FTE authority. This $273,843 cost equaled the amount of General Fund that was reduced in the FY 2005-06 (and commensurately offset with additional federal funds). The funding was provided to ensure that the Division did not have to do layoffs, as they indicated would occur in their budget hearings. The staff recommendation at the time did not include corresponding FTE authority, largely on the grounds that the Division had under-used its FTE authority in FY 2004-05. Staff notes that FTE authority in FY 2005-06 was fully used, and the Department has provided detailed documentation demonstrating that it is holding positions open. Staff does not believe it is reasonable for the Department to hold positions open due to lack of FTE authority, given that funding is available in the line item. Staff therefore recommends the requested FTE increase for 1.5 FTE and no associated dollars.

**Operating Expenses**

The request is for $49,000 total funds ($41,378 net General Fund). This includes $11,010 for Decision Item #8 (Mental Health Services), $500 for Supplemental/Budget Amendment T-4 (Goebel), and $3,800 for Recidivism Reduction Initiative #3 (CUSP).

**Staff recommends $42,950 ($35,328 net General Fund) for the Operating Expenses line item.** This includes the requested $500 for Supplemental/Budget Amendment T-4, which consolidated funding from the previous Goebel lawsuit line item ($0 net fiscal impact on the budget) and $8,760 for Decision Item #8. As discussed at the beginning of the packet, it does not include funding for CUSP.

**Federal Programs and Grants**

This line item reflects funding received from federal authorities for special programs and grants. This includes funding for special purpose demonstration projects and research program grants funded at the Division level by the federal government. These grants are time limited, and positions are eliminated when funding is no longer available. Significant current grants include: the Bloom grant, which serves children in the birth to five age range with severe emotional disturbance in four counties; a data infrastructure grant, which provides grant funds to continue the development of a comprehensive system of performance indicators for the mental health system; and the Katrina grant, for services to victims of Hurricane Katrina.

The request for $2,482,241 and 11.0 FTE includes $785,416 and 4.0 FTE for supplemental/budget amendment T-6, and includes OSPB common policy personal services adjustments. **Staff recommends $2,479,404 federal funds and 11.0 FTE.** The staff recommendation includes the requested adjustment of $785,416 and 4.0 FTE for supplemental/budget amendment T-6 to more accurately reflect anticipated federal receipts. It also includes $8,926 for salary survey allocated in FY 2006-07 and a reduction of $3,435 for the JBC's common policy reduction of 0.5 percent for personal services. The staff recommendation reflects total estimated personal services of $683,627 and total estimated operating expenses of $1,795,777, most of which is used for grants to non-governmental organizations.

**Supportive Housing and Homelessness Programs**

This line item reflects funding received from federal authorities to develop and provide resources and housing services for Colorado's homeless and persons with special needs. The program administers 2,800 section 8 federal rental subsidies and 226 "shelter plus care" service-enriched rental subsidies for persons with mental illness through local service providers.

The request is for $19,995,649 federal funds, no General Fund, and 19.0 FTE. The request includes an increase of $4,313,588 federal funds and 5.5 FTE for Supplemental/Budget Amendment T-6 and includes common policy personal services adjustments.

**The staff recommendation is for $19,991,858 federal funds and 19.0 FTE.** The recommendation includes the requested increase of $4,313,588 federal funds and 5.5 FTE for Supplemental/Budget Amendment T-6, to more accurately reflect anticipated federal funds. It also includes $26,743 federal funds for salary survey awarded in FY 2006-07 and a reduction of $5,373 for the JBC's common policy personal services reduction of 0.5 percent.

**Traumatic Brain Injury Trust Fund**

House Bill 02-1281 created the Colorado Traumatic Brain Injury Board within the Department of Human Services and provided for funding for administration, eligibility, case management, and claims payment functions relating to the program, pursuant to Section 26-1-301, C.R.S. Funding for the Traumatic Brain Injury Fund is derived from people convicted of driving under the influence, driving while impaired and speeding (as of January 2004). There is a $15.00 surcharge for DUI and related convictions and $10.00 surcharge for speeding violations. The bill also allows the Board to accept gifts, grants, and donations, although none have been forthcoming. Of the annual revenues for the program: about 65.0 percent will be used for services for people with traumatic brain injuries; 30.0 percent will be to support research related to the treatment and understanding of traumatic brain injury; and 5.0 percent will be for education for individuals with traumatic brain injury and to assist educators, parents, and non-medical professionals in the identification of traumatic brain injuries. Of the annual revenues for the program:

- about 65.0 percent was intended to be used for services for people with traumatic brain injuries;
- 30.0 percent will be to support research related to the treatment and understanding of traumatic brain injury; and
- 5.0 percent will be for education for individuals with traumatic brain injury and to assist educators, parents, and non-medical professionals in the identification of traumatic brain injuries.

According to the statutorily required report to the General Assembly dated February 1, 2007, in 2006, services were provided to 204 adults with traumatic brain injuries. This included services provided by Goodwill Industries (contractor through June 30, 2006) and Denver Options (winner of a new contract effective July 1, 2006). The Department of Public Health and Environment provides care coordination to children (people under age 21) via a contract through Denver Options, and Denver Options provides purchased services; in 2006, the CDPHE and Denver Options provided services to 127 children and their families. At the end of 2006, there were 227 adults on a waiting list for services, and the anticipated wait time on the waiting list was 14 months. A waiting list for children's services was anticipated to be started at the beginning of 2007. Due to the waiting lists and demand for the program, in January 2007, the State Board of Human Services adopted changes to the rules for this program that limit each person to one year of services in his or her lifetime; this is expected to reduce the length of time individuals spend on the wait list.

The Department has requested $2,414,727 total funds, including $1,507,843 cash funds and $906,893 cash funds exempt from the Trust's reserves. The request includes an increase of $455,195 cash funds exempt from reserves and 1.0 FTE pursuant to Decision Item #22.

***Decision Item #22 (Traumatic Brain Injury Trust Fund Surplus)***
The Department has requested an increase of 1.0 FTE and $442,190 cash funds exempt from Traumatic Brain Injury Trust Fund so that the Department can serve more adults and children and reduce the number of eligible individuals on the waiting list. The request also includes a reconsideration of the Department's FY 2006-07 request to appropriate an additional $45,125 and 1.0 FTE so that the program can hire a Program Assistant to handle the increasing administrative workload of the program.

The request reflects an increase from 190 adults and 82 children projected served in FY 2006-07 to 236 adults and 100 children served in FY 2007-08. The Department indicates that the program reached full implementation in January 2006 and has steadily increased services provided. As the program has been implemented, workload has increased. The need for policy development, program design, contract development, and implementation, contract management, community outreach and overall program management have increased. The program is entering a transition. In January 2007, the current program director will retire from State service and a new director will be hired. The program itself is transitioning from the implementation state to a point at which it needs to develop administrative systems that will ensure the program produces the outcomes the State and community expect. This will be accomplished through appropriation of the current fund balance and by generating new revenues from municipalities that are not currently contributing to the program.

The staff recommendation is to approve the dollar request, but to **approve only an additional 0.5 FTE and to apply a footnote to this appropriation specifying that no more than 7.5 percent of total expenditures** are to be used for Department administrative activities. The basis for the recommendation is as follows.

- In the initial development of this program, the Department "low-balled" administrative costs and activities required. The original fiscal note for the bill reflected just 1.0 administrative assistant FTE at a cost of $36,686.

- The Department reports that it subsequently worked with the JBC to reclassify the position in the General Professional category. **Actual figures for FY 2005-06 indicate that the direct salary cost of this 1.0 FTE was $93,224 or $103,667 for salary plus state PERA**

**contribution. Staff understands that the salary for the new director is similar, *i.e.*, this is very highly paid staff position.** Note that the Department has previously requested – and the JBC denied– an increase in FTE authorization. In FY 2004-05, the Department then violated the FTE authorization for this line item, using 1.5 FTE, rather than the 1.0 authorized. There was no such violation in FY 2005-06

- Based on the department's request, total TBI program expenditures for the appropriation and request could be expected to incorporate the following components:

| | **Estimated FY 2006-07** | **Request FY 2007-08** |
|---|---|---|
| Personal services | | |
| Existing 1.0 FTE (including PERA) | $106,801 | $106,801 |
| Decision Item #22 (add 1.0 FTE) | n/a | 41,690 |
| | | |
| Operating Expenses (non-contract) | | |
| Printing/other operating expenses | 49,634 | 49,634 |
| Decision Item #22 - on-going | n/a | 500 |
| Decision Item #22 - one-time | n/a | 3,005 |
| Subtotal - admin (p.s. + operating) | 156,435 | 201,630 |
| Grants and other purchased services | | |
| Base funding | 1,810,581 | 1,813,097 |
| Decision Item #22 | n/a | 400,000 |
| **GRAND TOTAL** | 1,967,016 | 2,414,727 |
| Percent administration | 8.0% | 8.4% |
| | | |
| Admin dollars if limited to 7.5 percent | | $181,105 |
| Funds available for personal services for new FTE if base personal services and operating expenses unchanged | | $21,165 |

**Staff is concerned that the requested spending on administration is relatively high for the size of this program**. Pursuant to Section 26-1-307. C.R.S. : "The administrative expenses of the board and the department shall be paid from moneys in the trust fund. The joint budget committee shall annually appropriate moneys from the fund to pay for the administrative expenses of the program." To date, by placing all program and administrative funding in the same line item, the Joint Budget Committee has essentially allowed the executive branch to determine the portion of total fund expenditures that may be spent for administration.

Staff does not see a need to break out administrative expenses into a separate line item, however, staff does believe it may be advisable for the JBC to impose additional constraints on administrative expenditures, as such expenditures have a direct impact on available service dollars. (If the Executive Branch vetoes the footnote and is unwilling to abide by the suggested 7.5 percent limit on administrative expenses, administrative amounts could be broken out in the future). *The suggested 7.5 percent limit is simply based on expenditures to date and a desire not to see administrative expenditures grow further as a proportion of the overall line item.* Staff notes that many federal grants impose much more stringent restrictions, such as a limit of 5.0 percent on administrative expenditures for the mental health services block grant.

If, as recommended, the Committee approves the total dollar amount with the 7.5 percent spending limitation for administration, the maximum funding that would be available for administration would be $181,105. It should be feasible for the Department to employ1.5 FTE within this dollar amount. Staff believes that there is sufficient workload associated with this program that the request for some additional staffing is not unreasonable. Further, to the extent a portion of the workload involves relatively routine tasks related to contract processing, it may be appropriate to assign a program assistant--rather than the program director--to this portion of the work. The role of this position will include staff support for the TBI Board and Director, and preparation of contract and grant documents and invoices, among other activities.

Note that the source of funding for this request is cash funds exempt reserves. These reserves were generated through a combination of the delayed start-date for the program and initial difficulty in generating applications for the research dollars that are a part of the program. The Department estimates reserves at the beginning of FY 2007-08 of $2,151,662 and annual revenue of $1,932,662 (slightly less than the base cash funds appropriation for the program). *If the request for $445,195 in additional cash exempt reserve spending authority is approved, it is expected to take 4.8 years to exhaust reserves.*

The Department has indicated that it hopes to expand total revenues for this program by recruiting additional municipalities to participate in imposing the surcharge that generates the funding for the program. The additional staffing should enable the program director to pursue this effort. *If the effort is not successful, fund reserves will be exhausted, and the overall program (as well as the moneys available for administration) will again shrink in five years.*

**Staff believes the primary virtue of the staff recommendation is that growth in administrative expenditures would be contained, while still allowing the Department to use up to 1.5 FTE to administer the program**. The table below reflects the components of the staff recommendation for the decision item.

| **Recommendation Decision Item #22 - TBI** | | | | |
|---|---|---|---|---|
| | **FY 2007-08** | | **FY 2008-09** | |
| Personal Services | | | | |
| Program Assistant II | 18,678 | 0.5 | 18,678 | 0.5 |
| PERA @ 10.15 percent | 1,896 | | 1,896 | |
| Medicare @ 1.45 percent | 271 | | 271 | |
| Personal Services Total | 20,845 | 0.5 | 20,845 | 0.5 |
| Operating Expenses | | | | |
| Ongoing operating @ $500/1.0 FTE | 250 | | 250 | |
| Capital outlay @ 2,021 | 2,021 | | 0 | |
| Desktop computer @ $690 | 690 | | 0 | |
| Office suite software @ $294/computer | 294 | | 0 | |
| Operating Expense Total | 3,255 | | 250 | |
| Grants/Purchased Services | | | | |
| Client Services (65% total, allocated 70% to adults and 30% to children's client services) | 273,712 | | 273,712 | |
| Research (30% of total) | 126,329 | | 126,329 | |

| Recommendation Decision Item #22 - TBI | | | | | |
|---|---|---|---|---|---|
| | | **FY 2007-08** | | **FY 2008-09** | |
| Education (5% of total) | | 21,054 | | 21,054 | |
| | Program Cost total | 421,095 | | 421,095 | |
| Decision Item Total-Cash Funds Exempt | | 445,195 | 0.5 | 442,190 | 0.5 |

***Total Line Item Recommendation***

**The overall staff recommendation for this line item is $2,414,178, including $1,932,662 cash funds and $481,557 cash funds exempt, and 1.5 FTE.** The differences between the staff recommendation and the request include: (1) differences in FTE and funds allocation for Decision Item #22, discussed above; (2) common policy personal services calculations (the staff recommendation includes a reduction of $547 for the 0.5 percent personal services base reduction); and (3) a fund split adjustment that increases the overall cash funds portion of the line item by $425,336 and reduces the cash exempt appropriation by the same amount to more accurately reflect the balance between anticipated revenues and spending from reserves. **Of the total recommendation, $129,615 is for personal services expenses for 1.5 FTE, $51,490 is for operating expenses (for a total of $181,105 or 7.5 percent) and $2,233,073 is for program grants and client services.**

As discussed above, staff also recommends the addition of the following footnote:

N1 Department of Human Services, Mental Health and Alcohol and Drug Abuse Services, Administration, Traumatic Brain Injury Trust Fund - It is the intent of the General Assembly that no more than 7.5 percent of total expenditures in this line item be for administrative expenses. The Department is requested to include information in its budget request demonstrating compliance with this requirement.

Staff notes that, over time, annual personal services adjustments and/or specific types of operating expenses could drive administrative expenses over 7.5 percent; staff anticipates that the Department will work with the General Assembly to identify such issues and request appropriate modifications if this footnote is approved and continued in the future.

## MENTAL HEALTH COMMUNITY PROGRAMS

This section provides mental health services through the purchase of services from mental health centers and clinics. Cash funds exempt amounts include Medicaid funds transferred from the Department of Health Care Policy and Financing (that generally originate as 50 percent General Fund 50 percent federal funds), Tobacco Litigation Settlement Cash Fund appropriations, and local match. The federal funds are primarily from the Mental Health Services Block Grant.

*Mental Health Services for the Medically Indigent*
This section of the Long Bill, reorganized in FY 2003-04, is designed to reflect the funding for clients who are not eligible for Medicaid and who are medically indigent. By far, the majority of funding for mental health services in the state is funded with Medicaid dollars as noted in the Department of Health Care Policy and Financing figure setting. This area provides funding for clients who are not Medicaid eligible and have severe mental illness, and are medically indigent with respect to service needs. The funding therefore reflects only General Fund and non-Medicaid matching funds. The section also contains line items added in FY 2003-04 for recently deinstitutionalized clients who were deinstitutionalized from the respective mental health institute and were not eligible for Medicaid. As discussed at the beginning of this write-up, mental health services for the medically indigent underwent substantial cuts in FY 2002-03 and FY 2003-04, but this funding has been restored. *Nonetheless, the Department estimates that to fully address the unmet need for services, for those who would accept services if offered, an additional $53.2 million in funding would be required (17,300 estimated individuals with unmet need who would accept services x $3,078 per person for FY 2007-08).*

Services for Indigent Mentally Ill Clients
Funding in this line item is used for non-Medicaid indigent adult and elderly individuals with chronic and major mental illnesses, and children and adolescents with severe emotional disturbances. The Department of Human Services contracts annually with the State's 17 Community Mental Health Centers to provide these services. Since 1981, the state has directed its community resources for services to serious, critical and chronically mentally ill persons, who were previously referred to as "Target Clients" in the line item designation. Services provided include partial care, outpatient care, case management, long-term care, inpatient care, residential care, sheltered workshop/vocational placements, and children's crisis services. The FY 2006-07 line item reflects that, in FY 2006-07, this line item is for services for 9,225 clients; however, this does not include the addition of a portion of the Goebel population of 1,600. Funding formerly associated with the Goebel lawsuit settlement was consolidated into this line item through an FY 2006-07 supplemental.

The Department request and staff recommendation are summarized in the table below.

| **Services for the Indigent Mentally Ill** | | | |
|---|---|---|---|
| | **Request** | **Recommendation** | **# Served** |
| FY 2006-07 Long Bill + special bills | $28,742,467 | $28,742,467 | 9,225 |
| Supplemental/B.A. T-4 (Goebel) | 6,597,711 | 6,597,711 | 664 |
| Late Supplemental (Goebel) | 870,000 | 870,000 | 0 |
| FY 2006-07 Appropriation | 36,210,178 | 36,210,178 | 9,889 |
| Decision Item #8 (Mental Health Svcs) | 1,372,788 | 1,372,788 | 446 |
| Decision Item #NP-1 (Provider COLA) | 455,185 | 583,901 | 0 |
| Annualize Late Supp/B.A. for Goebel | (870,000) | (486,649) | (39) |
| FY 2007-08 Total | $37,168,151 | $37,680,218 | 10,296 |

The components of the request and recommendation are reviewed below.

***Supplemental/Budget Amendment T-4 (Goebel):*** The request includes continuation of the FY 2006-07 supplemental adjustment that consolidated General Fund and cash funds exempt (vocational rehabilitation) funds for direct services to the Goebel population in this line item. This supplemental had a net $0 impact to the overall state budget, but did result in the movement of funds within the budget.

*Note that the FY 2006-07 supplemental did not include an adjustment to the title of the line item that reflects the estimated number of persons served. The staff recommendation includes making this adjustment for FY 2007-08.* The Goebel lawsuit settlement required services for 1,600 individuals at any given time; however, the adjustment shown above is based solely on an estimate of the number of those individuals who were indigent mentally ill and not eligible for Medicaid. Note further that the Department has suggested that the Goebel population be identified separately in the line item, because of the cost differential between Goebel clients and other clients. It is true that the adjustment distorts the average cost per person served which has been used for some time--as does Committee action last year that targeted some of the funding in the line item to particular facilities. It is also true, however, that there is a wide variety of service-intensity levels already reflected in this line item, and the "formerly Goebel" population does effectively increase the average service cost.

**Thus, the staff recommendation would still identify this line item as serving 10,296 persons**. Staff anticipates that the Department will still be able to estimate the cost of new clients added to the system based on the "old" calculations if it wishes. **For FY 2007-08, the average cost per person used to develop decision items is $3,078.**

***Late Supplemental (Goebel) and Annualize Late Supplemental/Budget Amendment:*** The Department submitted a late adjustment to its supplemental FY 2006-07 request for an additional $870,000 General Fund to backfill Medicaid amounts that had formerly paid for Goebel services. The request was for half of this amount--$435,000 General Fund--for FY 2007-08; however, the late supplemental/budget amendment reflected this in the former Goebel lawsuit settlement line item. Since this line item is being eliminated, the staff recommendation reflects including the $435,000 in the indigent line item. The following explains the recommendation.

*Goebel Background:* The Goebel Lawsuit Settlement required services for 1,600 indigent, severely mentally ill individuals located in northwest Denver. The case combined two class actions asserting that residents of northwest Denver with chronic mental illness ere being denied appropriate services. In February 1994, the State settled the Goebel class action with an agreement that committed that State to additional expenditures of $7 million per year and redirection of $6.*7* million of State funds for the mentally ill to specifically serve the Goebel class. However, the state appropriated a cumulative $187.7 million ($129.1 million net General Fund) for the Goebel court settlement from FY 1994-95 to FY 2005-06. In recent years, $18 to $19 million per year has been appropriated related to the case. The Goebel Lawsuit Settlement was dismissed with prejudice in March 2006.

*Staff does not believe there is any ongoing legal liability for the state related to maintaining service levels for the 1,600 Goebel slots, although staff generally agrees with the Department's intention to maintain funding levels*. The case was dismissed with prejudice. Further, the Goebel claims against the state were based on a piece of the mental health statutes that were interpreted as providing a state entitlement to mental health services. After the Goebel suit was filed, the relevant portion of statute was modified to clarify that rights to services were subject to available appropriations.

*FY 2006-07 Supplemental:* The late request for $870,000 General Fund in FY 2006-07 and $435,000 General Fund in FY 2007-08 was based on information that $870,000 Medicaid funds were anticipated to be lost to the program as a result of changes in allowable Medicaid billing for the program. As a result of dismissal of the lawsuit, federal authorities would no longer allow fee-for-service billing for Goebel but instead required payments to be folded into the capitation program, based on encounter data. Certain types of intensive case management encounter data were deemed

ineligible for Medicaid reimbursement, causing a reduction of $870,000 in Medicaid funds from amounts previously available for the program.

Staff recommended the requested FY 2006-07 late supplemental to backfill this loss on the basis that: (1) the Goebel contractor (the Mental Health Corporation of Denver) had been, for most of the year, held by the State to the same contractual responsibilities as it had previously been held to, despite the dismissal of the lawsuit. This included various detailed staff to client ratios and services. (2) because it was late in the year, to the extent MHCD faced funding reductions, such reductions would be compressed into large cuts for a small portion of the year; (3) staff at the Department of Health Care Policy and Financing indicated that actual payments to the Mental Health Corporation of Denver could be expected to be depressed during the first year of the new payment system, because payments associated with "retroactive eligibility" would not appear initially. The estimated FY 2006-07 shortfall associated with this was over $400,000. The Mental Health Corporation of Denver confirmed that Medicaid receipts were far lower than anticipated (above and beyond the anticipated $870,000 shortfall) and that it was therefore absorbing significant losses already.

*FY 2007-08 Budget Amendment:* The request for FY 2007-08 is $435,000, or half of the amount approved for FY 2006-07. This was expected to leave the Mental Health Corporation of Denver (MHCD) with a funding level similar to FY 2006-07 anticipated receipts and $435,000 lower than FY 2005-06 levels. Funding *received by MHCD* would be similar to FY 2006-07, despite the decline in state appropriations, because issues associated with "retroactive eligibility" should essentially be over and therefore Medicaid receipts by MHCD can be expected to be about $400,000 higher than in FY 2006-07.

From a State perspective, this was supposed to set total *General Fund* expenditures at the same level as they were prior to the conclusion of the lawsuit in FY 2005-06. This is because the $435,000 requested in the Department of Human Services equals the $435,000 General Fund portion of the $870,000 in Medicaid funds reduced for services that have been deemed ineligible for Medicaid reimbursement. Although state General Fund is the same as in FY 2005-06, total funding for MHCD is $435,000 lower, due to the loss of federal Medicaid matching funds.

**Staff is recommending the request for ongoing backfill for the program; however, staff is recommending a lower figure, based on updated Medicaid data which indicates that the loss of revenue to the Goebel program on the Medicaid side will be less than originally anticipated (a total of $766,701). As a result, staff is recommending ongoing backfill in FY 2007-08 of $383,350 General Fund**. The staff recommendation reflects: (1) the recognition that there is a substantial unmet need for mental health services for the indigent in Colorado, and that it is likely

not in the best interests of the State to cut mental health services further; and (2) the expectation that are substantial opportunities for efficiencies in serving this "former Goebel" population when details are not court-supervised. Thus, it is staff's hope that the dollars provided will be stretched to serve additional individuals in FY 2007-08.

From staff's perspective, **the Department has flexibility to add additional individuals served for the total dollars**. There were components of Goebel court-ordered services which, at the time, the Department felt were not clinically necessary or appropriate. The need for intensive services for high needs individuals in Denver is not eliminated with completion of the lawsuit; however, it may be more appropriate to try to extend services to a significantly larger population. The Department has acknowledged this. *Staff expects to follow the Department's progress in modifying services for this population over time.*

***Decision Item #8 (Mental Health Services):*** This decision item included a request for funding to serve an additional 446 indigent mentally ill clients. As discussed at the beginning of this packet, staff recommends this portion of the Department's request.

***Decision Item NP-1 (Community Provider Cost of Living Increase):*** The Department's request included a 2.0 percent increase on the base General Fund amount in this line item. Consistent with Committee common policy, staff has included a 2.0 percent increase. However, the staff increase reflected is higher than the request shown because the staff recommendation *includes* the increase on the piece of the line item that was formerly in the Goebel Lawsuit Settlement line item. The Department's request included a community provider COLA for the Goebel Lawsuit Settlement line item, however: (1) the increase was incorrectly calculated on a base that included a personal services appropriation; and (2) the Department's T-4 Supplemental/Budget Amendment did not include any of this increase in the amounts to be transferred from the old Goebel line item to the indigent line item.

***Mental Health Block Grant Issues***

The Department's FY 2007-08 request is based on an assumed continuation of the Mental Health Block Grant at the FY 2006-07 appropriated level. The grant has been at approximately the same $5.7 million level for several years. For FFY 2006-07, the grant is $5,753,968. Staff assumes that, if there is an increase in the grant, the Department will inform the Committee. In particular, to the extent the Department proposes to spend any increase on administration, it will require an increase in amounts shown in the Long Bill, as a result of the "(M)" notation.

<u>Early Childhood Mental Health Services</u>

Funding for Early Childhood Mental Health Services was requested and initially appropriated in FY 2002-03, removed through an FY 2002-03 supplemental due to state revenue shortfalls, and then reinstated by the General Assembly effective the last quarter of FY 2005-06. The program supports early childhood mental health specialists in each of the 17 community mental health centers, psychiatric services for children with serious emotional disturbance , and $25,000 for evaluation of the program. **The Department has requested, and staff recommends, $1,158,465 General Fund, based on a continuation level plus a 2.0 percent community provider cost of living increase**.

Assertive Community Treatment Programs

This line item supports assertive community treatment programs–intensive outpatient and case management services--for severely mentally ill adults. The line item was created in FY 2000-01 to provide new or enhanced services to around 120 severely and persistently mentally ill clients through competitive grants to community mental health centers. The cash funds exempt in the line item reflects matching funding. **The Department has requested, and staff recommends, $1,303,664, including $651,832 General Fund, based on a continuation level plus a 2.0 percent community provider cost of living increase.**

Alternatives to Inpatient Hospitalization at the Mental Health Institute at Pueblo

As part of the state's budget balancing actions, eight beds at CMHI Pueblo were closed on March 1, 2003, followed by the closure of 24 more beds (a full 32-bed unit) on April 1, 2003. In order to ensure that patients could continue to receive services, the General Assembly funded community-based alternatives and incorporated Medicaid into the overall funding structure. This line item funds the alternative placement for persons who would otherwise have used those beds. This line item was adjusted in the FY 2003-04 to separate the Medicaid from the non-Medicaid (Indigent) clients. The JBC also divided the program into Medicaid and non-Medicaid, consistent with the restructuring of the budget by eligibility type. As such, as of the FY 2003-04 supplemental, funding in this line item (within this section) is for the non-Medicaid clients (indigent) only. **The Department has requested, and staff recommends, $961,282 General Fund, based on a continuation level plus a 2.0 percent community provider cost of living increase.**

Alternatives to Inpatient Hospitalization at the Mental Health Institute at Fort Logan

The Community Connections Inpatient (CCI) unit was an unlocked 27 bed unit that served as a "step down" from other adult units at the Mental Health Institute at Fort Logan. It was targeted for closure because it provided the lowest intensity of care at Fort Logan. It utilized physical therapy, behavioral programs, medication administration education and practice, occupational therapy, and intensive hygiene programs to raise the patient's level of functioning to match their anticipated placement.

It also served as a "testing ground" for community placement for persons with dangerous behaviors and patients with a history of repeated recidivism. Patients also often had significant medical issues. In order to save the state significant amounts of General Fund, the Community Mental Health Centers took over the program on July 1, 2003, at which time the then existing program at Fort Logan was closed. This line item was adjusted in the FY 2003-04 to separate the Medicaid from the non-Medicaid (Indigent) clients. The JBC also divided the program into Medicaid and non-Medicaid, consistent with the restructuring of the budget by eligibility type. As such, as of the FY 2003-04 supplemental, funding in this line item (within this section) is for the non-Medicaid clients (indigent) only. Effective the last quarter of FY 2005-06, the JBC provided an increase for this line item; the increase annualized to $900,000 in FY 2006-07. **The Department has requested, and staff recommends, $1,574,618 General Fund, based on a continuation level plus a 2.0 percent community provider cost of living increase.**

Alternatives to the Fort Logan Aftercare Program

The Committee approved the creation of this line item as part of FY 2002-03 supplemental actions. This funding allowed community providers to take over management of the then existing Fort Logan Aftercare program on April 1, 2003, resulting in General Fund savings. The Aftercare Program was created in 1972, and most recently consisted of three residential buildings and a family care program that involved referring clients to therapeutic home placements, similar to foster care placements. The program served 53 severely ill, mostly elderly individuals, many of whom had spent the better part of their lives receiving housing and support through this program. Essentially, the Community Mental Health Centers said that they could provide similar services to those that had been provided by the Institute, but at a substantially lower cost. This line item was adjusted in the FY 2003-04 to separate the Medicaid from the non-Medicaid (Indigent) clients. In that action, the JBC also divided the program into Medicaid and non-Medicaid, consistent with the restructuring of the budget by eligibility type. As such, funding in this line item (within this section) is for the non-Medicaid clients (indigent) only. **The Department has requested, and staff recommends, $192,032 General Fund, based on a continuation level plus a 2.0 percent community provider cost of living increase.**

**Additional Staff Recommendation**: **Staff recommends that the Committee combine funding in the three line items above, as well of the "Alternatives to Inpatient Hospitalization for Youth" line item, (all of which are for alternatives to services at the mental health institutes) into a single, new line item entitled " Alternatives to Hospitalization at the Mental Health Institutes".** Since the purpose of all of this funding is now clear, staff does not believe four separate

line items are required to reflect the funding. Note that numbers pages reflect funding in the original format, pending JBC approval of this recommendation.

Enhanced Mental Health Pilot Services for Detained Youth

This funding was eliminated in FY 2003-04 during the figure setting for the Division of Youth Corrections. Funding was reinstated during the FY 2005-06 figure setting. This program, funded through both the Division of Youth Corrections and Mental Health Services, identifies the mental health needs of youth placed in detention and provides services while in detention and once the youth has been released into the community. This portion of the funding supports the follow-up mental health services in the community**. The Department has requested, and staff recommends, $502,879 General Fund, based on a continuation level plus a 2.0 percent community provider cost of living increase.**

Juvenile Mental Health Pilot (H.B. 00-1034)

This line item was added in FY 2000-01 through a special bill to fund two pilot mental health programs for youth to be administered by community mental health centers (currently Sterling, Denver). The program provides youth with a history of criminal justice involvement and a serious mental illness with comprehensive mental health treatment services, which, per statute, are to include family-based treatment and low staff to client ratios. This program is scheduled to sunset in June 2007. As explained in the Department of Human Services' budget hearing, the decision not to include this item in the base request was made on a technical basis as the statute repeals prior to the beginning of the next fiscal year. **The Department has requested, and staff recommends, $0 funding for this program.**

Neither the Legislative Oversight Committee for Persons with Mental Illness in the Criminal Justice system (which originally sponsored the legislation) nor the Department has chosen to sponsor legislation to continue the pilots. Both the Department of Human Services and the Department of Public Safety, Division of Criminal Justice (which has also evaluated the program) have indicated that they believe that mental health services for this population are beneficial and cost effective, but that these services can be most cost-effectively provided through existing channels, such as community mental health centers.

The January 11, 2007 report to the legislature on this program provides the basis for this position. As required pursuant to Section 16-8-205, C.R.S., the Department submitted a legislative report on this program on January 11, 2007. The report reaches the following conclusion:

"Past evaluations fo the two pilot sites have documented some positive outcomes for youth served in these program. However, the most extensive evaluation of the projects to date was unable to attribute positive outcomes of participating youth directly in the pilot component. In the January 2006 evaluation report, both the youth receiving pilot services and the comparison youth receiving more traditional mental health treatment showed similar positive outcomes. While the design of that evaluation did not allow for analysis of what would have happened had youth received no mental health services, it was generally encouraging that both groups receiving treatment (both pilot and comparison group youth) did show improved outcomes 12 months after participation in the program.

Continuing analysis of the two plot programs along these lines...is not likely to provide any new information for the division given the limitation of the evaluation design. *In addition, available data have not been able to demonstrate that the youth being served by the pilot received any additional benefit that would justify the increased resources associated with the current project.* However,...results have offered preliminary evidence regarding the potential benefits fo targeting services to youth with mental health needs who are involved in the juvenile justice system.." [emphasis added]

The table below reflects the overall findings at the two pilot sites. These results came from previous studies but were further analyzed in the most recent legislative report. A total of 44 youth were served in the pilot program in FY 2005-06. The study compared results for 62 youth who had been served in the pilot with a similar number studied in the control group. Youth in both the comparison and the pilot sites received mental health services, but the services provided to youth in the pilot programs were different and more expensive ( $8,000 per youth) than services provided to youth in the traditional mental health system at a cost of $3,018 per youth. Researchers found that, overall, youth participating in the pilot sites received a much greater number of units of service than did youth in the comparison site. *However, the quantity of specific services did not predict any of the juvenile justice outcomes*. The table below combines results from the two sites.

| **Event Costs** | **12 Months Pre** | | **12 Months Post** | | **$ Change Pre-Post** | |
|---|---|---|---|---|---|---|
| | Pilot | Comp | Pilot | Comp | Pilot | Comp |
| Regular Probation | $71,400 | $76,640 | $20,440 | $13,840 | -$50,960 | -$62,800 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Intensive Supervision | $14,035 | $15,330 | $28,105 | $15,300 | $14,070 | -$30 |
| Detention | $178,929 | $195,849 | $162,573 | $100,392 | -$16,356 | -$95,457 |
| Commitment | $920,010 | $672,854 | $445,536 | $510,146 | -$474,474 | -$162,708 |
| Dept. of Corrections | 0 | 0 | $166,440 | $27,740 | $166,440 | $27,740 |
| Jail | $49,500 | $3,780 | $35,370 | $18,180 | -$14,130 | $14,400 |
| Res. Treatment Center | $163,878 | $327,613 | $508,079 | $347,633 | $344,201 | $20,020 |
| **Total** | **$1,397,752** | **$1,292,066** | **$1,366,543** | **$1,033,231** | **-$31,209** | **-$258,835** |

Note that the above figures *do not include the direct cost of treatment. These figures also blend results for the urban and rural sites, which had quite different result*. Looking solely at the more successful urban site, the study found that the pilot site yielded $304,165 in savings excluding treatment costs and the comparison site yielded $73,065 in savings, excluding treatment costs. As a result, the pilot was slightly more cost effective than the comparison, although neither was entirely cost-effective from a net perspective once program costs were included in the calculation: $1.20 was spent per youth for every $1.00 savings in the pilot versus $1.30 for every $1.00 savings for the urban comparison group.

Alternatives to Inpatient Hospitalization for Youth

This line item is associated with the reduction of eight (8) adolescent inpatient beds at the Colorado Mental Health Institutes at Pueblo and Fort Logan. Program objectives include averting the hospitalization of youth in a mental health institute by providing necessary community-based services. The funding is distributed to Centennial Mental Health Center (eastern plains) and Colorado West Regional Mental Health Center. These communities were selected because they had the most feasible plans to reduce hospitalizations in their areas. Program objectives include averting hospitalization of youth in a mental health institute by providing necessary community-based services, among other factors. Centennial Mental Health Center focused on developing residential options and include county departments as partners. Colorado West's project includes the development of a community-based assessment process in partnership with the department of human services and a residential treatment provider. The project utilizes an existing acute treatment unit for children and adolescents and link with St. Mary's Hospital in Grand Junction to provide evaluations of youth. This process is intended to divert youth from hospitalization at St. Mary's and Pueblo. **The Department has requested, and staff recommends, $264,559 General Fund, based on a continuation level plus a 2.0 percent community provider cost of living increase.**

Colorado Unified Supervision Treatment Program (CUSP)
This is a proposed new line item associated with the Governor's Recidivism Reduction Initiative #3. The staff analysis and recommendation is discussed at the beginning of this packet.

*Goebel Lawsuit*

Goebel Lawsuit Settlement
This section of the Long Bill formerly reflected the mental health program expenditures associated with the Goebel lawsuit settlement. The line item supported comprehensive services for 1,600 indigent severely mentally ill individuals located in northwest Denver. The Goebel Lawsuit was dismissed with prejudice in March 2006. The General Assembly subsequently took FY 2006-07 supplemental action to: (1) amend the FY 2006-07 Long Bill to consolidate Medicaid amounts formerly associated with lawsuit services in the Medicaid mental health capitation line item in the Department of Health Care Policy and Financing; (2) consolidate General Fund appropriations for the medically indigent in the Mental Health Services for the Medically Indigent line item; and (3) consolidate administrative funding associated with 2.0 FTE in the mental health administrative section. Action also included providing an $870,000 General Fund backfill for FY 2006-07 for expenditures previously covered by the Medicaid program but no longer deemed Medicaid-eligible.

The table below summarizes the **FY 2006-07** funding changes. *Note that the total amount shown as a reduction ($12,275,081) is based entirely on eliminating cash funds exempt double-counts for funds transferred from the Department of Health Care Policy and Financing to the Department of Human Services, since Medicaid amounts are now administered by HCPF and are not transferred to DHS.* There was no FY 2006-07 reduction in "real" funding for the Goebel program ($19.1 million) from the amounts originally appropriated in the FY 2006-07 Long Bill. There was, however, a statewide increase of $435,000 in the General Fund appropriation to backfill lost federal funds.

**FY 2006-07 Supplemental Changes to Goebel Lawsuit Line Item**

| | Total | General Fund | Cash Funds Exempt | Federal Funds |
|---|---|---|---|---|
| Human Services | | | | |
| Admin - Personal Services (2.0 FTE) | $178,424 | $178,424 | $0 | $0 |
| Admin - Operating Expense | 500 | 500 | 0 | 0 |
| Indigent Mentally Ill | 7,467,711 | 7,305,802 | 161,909 | 0 |
| Goebel Lawsuit Settlement | (19,051,716) | (6,614,726) | (12,436,990) | 0 |
| Total - DHS | (11,405,081) | 870,000 | (12,275,081) | 0 |
| Health Care Policy and Financing | | | | |
| Mental Health Capitation Payments | 11,405,081 | 5,702,541 | 0 | 5,702,540 |
| Transfer to DHS - Goebel Lawsuit | (12,275,081) | (6,137,541) | 0 | (6,137,540) |
| Total - HCPF | (870,000) | (435,000) | 0 | (435,000) |
| **Statewide TOTAL** | **(12,275,081)** | **435,000** | **(12,275,081)** | **(435,000)** |

The Joint Budget Committee is also sponsoring legislation (S.B. 06-132 (Keller/White)) to eliminate a statutory reference to the program that made the Department of Human Services--rather than Health Care Policy and Financing--responsible for administering Medicaid components of the program, in light of the dismissal of the lawsuit.

**The Department's FY 2007-08 request included $572,947 in this line item due to technical errors.** Specifically, the Department failed to transfer its requested community provider cost of living increase and its salary survey annualization amounts in the budget amendment that moved dollars associated with the lawsuit to other line items. Further, in a budget amendment, the Department requested General Fund backfill for Medicaid funding lost to the program in the amount of $435,000 for FY 2007-08 in this line item, rather than in the indigent mentally ill line item. As discussed above under the personal services and indigent mentally ill line items, staff has corrected these errors by recommending appropriate levels of funding, including annualization of FY 2006-07 salary survey, community provider cost of living increases, and the Goebel backfill amount in the appropriate line items. **Thus, the staff recommendation for the Goebel Lawsuit Settlement line item for FY 2007-08 is $0.**

Residential Treatment for Youth (H.B. 99-1116)

This program was added by House Bill 99-1116. House Bill 99-1116 established the "Child Mental Health Treatment Act" through July 1, 2003. The program, codified at 27-10.3-101 through 107, C.R.S.), provides parents the option of residential services for mental health treatment without going through the local county departments of social services or the courts to receive such services. The program provides funding to assist families in placing their children in residential treatment centers (RTCs) (now known as therapeutic residential child care facilities or TRCCFs) when their children are not categorically eligible for Medicaid based on income criteria nor suitable for a placement based on "dependency and neglect" criteria. Funding helps to cover initial costs of treatment and room and board costs for children who are subsequently expected to obtain Medicaid eligibility based on a disability and their temporary placement in the residential treatment center. The Department covers costs that are not covered by private insurance, sliding-scale parent fees, Medicaid, and Supplemental Security Income (SSI) benefits for children in the program.

In 2004, two pieces of legislation were passed that affected this program: H.B. 04-1421 (tobacco funding) and S.B. 04-65 (authorization for the program which assumed the passage of H.B. 04-1421). This legislation provided for $300,000 in Tobacco Litigation Settlement funding for the program and further authorized the use of General Fund to cover costs not covered through other sources, while specifying the intent of the general assembly that “the portion of such expenses paid from general fund moneys shall not exceed the general fund appropriation made for such purpose in any given fiscal year.”(Section 27-10.3-106 (3), C.R.S.). Additionally, in the FY 2005-06 Long Bill, the JBC authorized an increase of $200,000 General Fund for the program to assist with transition activities.

The original FY 2006-07 Long Bill appropriation included $90,389 in direct Tobacco Litigation Settlement funding and $206,500 General Fund. These were the amounts primarily intended to support a child’s service costs prior to obtaining Medicaid eligibility and to cover costs associated with program transition. The balance of funding–$487,777 Medicaid cash funds–reflected the entitlement program costs associated with providing RTC (now TRCCF) Medicaid services for children who qualified for services as a family of one. However, the General Fund costs for the program have grown substantially due to a combination of (1) stringent new restrictions on Medicaid reimbursement for services; and (2) overall growth in the number of youth served. This rapid growth *may* reflect some transfer of costs from county child welfare services, given that rapid recent growth has correlated with changes in the RTC/RCCF program funding and structure.

For FY 2007-08, the Department has requested $1,194,050, including $835,317 net General Fund for this program. This includes Supplemental/Budget Amendment 1-G, which makes program adjustments associated with required federal changes to residential treatment center funding and backfilled lost revenue with additional General Fund. *The Department's FY 2007-08 request includes just $117,464 Medicaid funds for the "entitlement" portion of the program. All remaining funding – $1,076,586 – consists of General Fund and Tobacco Litigation Settlement funds.*

The Department request, as reflected in Supplemental/Budget Amendment 1-G, is based on the following assumptions.

- The Department expects a total of 37 children will be served in this program in FY 2006-07, with an average daily population of 14.8, based on 19 admissions and 16 discharges per year. The FY 2007-08 request is based on the same number served. Thus, the appropriation requested per "full year" child is **$80,679**.

- The weighted average daily rate for inpatient service is based on current data is $177.31. Of this, $23.91 is estimated to be covered through parent fees and $17.89 by federal Supplemental Security Income payments (SSI). The daily Medicaid reimbursement, under new TRCCF reimbursement rules, is anticipated to be $23.64. The balance of costs is covered by the General Fund and Tobacco Settlement funds. In addition to inpatient costs, the State factors in $7,500 per child for intensive transition services, including $2,500 while the youth is in residential placement and $5,000 for two months of follow-up services after discharge.

*Staff observations:*

As discussed at length in staff's budget briefing, staff has a number of concerns about this program. These concerns–augmented with more recent information–are highlighted below.

- In the Surgeon General's report on mental health (Mental Health: A Report of the Surgeon General), there were numerous concerns noted about residential treatment services. The concerns point to questions about the actual impact or benefit of this kind of inpatient care.

- The Department estimates that 20 percent of children and youth approved for residential treatment through the current process "may be able to be diverted to community-based treatment with he consent and participation of their parents". Such community-based services might be more beneficial for children and substantially less expensive than the

residential care funded through this program. Under the new TRCCF rate structure, treatment costs make up just 12 percent of total costs. All other costs are for room and board.

- In the FY 2005-06 Long Bill, the Joint Budge Committee authorized an increase of $200,000 General Fund for the program to assist in transition activities. The Department used only $46,150 of these dollars for transition services in FY 2005-06 and figures included in the supplemental request and budget amendment reflect use of only $120,000 of total funding for these services in FY 2006-07 and FY 2007-08 ($7,500 per child x 16 discharges). *The Division has indicated that the use of post-discharge services and transition funds is hindered by lack of statutory authority for CMHCs to deny continued stay in residential treatment, and the corresponding small number o children who discharge from that level of care in a fiscal year.* Pending statutory modifications, the Division is authorizing the use of transition funds for pre-placement services also.

- The fee-for-service structure of the program, and lack of clear oversight authority for limiting child stays, appears to contribute to excessive lengths of inpatient stay for children in the program. According to the December 1, 2006 statutory report on this program, the mean length of stay for children in the H.B. 99-1116 program was 364 days (approximately 1 year)-–almost double the 169 days (5.6 months) for children who receive Medicaid services through the Behavioral Health Organization. This is the case despite the fact that the children demonstrate similar severity levels. Further, children in the H.B. 99-1116 program are less likely to receive family preservation services, in-home family treatment, or post-residential services compared with children who receive Medicaid services through Behavioral Health Organizations

Overall, staff believes that the goal of this program–helping families address their children's serious mental and behavioral problems without turning them over to county custody–is laudable. However, staff also believes the program could benefit from restructuring to encourage more in-home services and discourage excessive lengths of inpatient treatment. **Particularly given that Medicaid now pays for a meager 12 percent of inpatient service costs, the financial incentive from a state perspective for relying on inpatient stays that *create* Medicaid eligibility is essentially eliminated**.

*FY 2007-08 Request Concerns*
As noted above, the Department's request is based on FY 2006-07 utilization and funding assumptions, inflated with a 2.0 percent community provider cost of living increase. Given recent

growth in this program, staff believes it possible that the program will require additional FY 2007-08 funding unless changes are made to: (1) divert more children from the program based on use of funding for pre-residential services; (2) reduce average length of stay; and/or (3) reduce the size of state-subsidies per child/increase parental share of payments by adjusting sliding-scale rules. However, *growth trends with respect to average daily population (reflected below) have been sufficient erratic that staff does not believe it is reasonable to make a funding adjustment at this time. There is, however, a risk that supplemental adjustments will be required for FY 2007-08 when additional information is available about program utilization.*

The table below reflects recent utilization and growth in the program.

| | FY 2003-04 Actual | FY 2004-05 Actual | FY 2005-06 Actual | FY 2006-07 Projected |
|---|---|---|---|---|
| Number Served | 20 | 24 | 28 | 37 |
| Avg. Daily Population (ADP) | 11.3 | 12.1 | 10.2 | 14.8 |
| New Admissions | 11 | 16 | 17 | 19 |
| Discharges | 11 | 13 | 12 | 16 |
| Annual Percent Growth ADP | | 7.1% | -15.7% | 45.1% |

Staff also notes that statute at 27-10.3-106 (3), C.R.S. does specify that General Fund expenses shall not exceed General Fund appropriations, but the means for achieving this are not specified—and statute clearly *assumed* that the majority of costs would be covered through the Medicaid entitlement portion of the program. *As the Medicaid entitlement has now become a small portion of the total program, expectations regarding how the Department should manage to the appropriation are not clear.*

Adjustments from the FY 2006-07 appropriation include:

- Additional $103,250 General Fund to fully restore transition funding of $206,500 which was not anticipated to be fully used in FY 2006-07 and was therefore used to partially cover supplemental needs.

- Application of the 2.0 percent community provider cost of living increase.

- Fund split adjustment reflecting reduced use of Medicaid (now just $117,464 versus $226,572 in FY 2006-07).

| Department of Human Services - H.B. 99-1116 Recommendation | | | | |
|---|---|---|---|---|
| | Total | GF | CFE - Tobacco | CFE - Medicaid |
| FY 2006-07 Long Bill | $784,666 | $206,500 | $90,389 | $487,777 |
| BA 1-G (Projected Need) | 392,296 | 578,150 | 185,854 | (371,708) |
| 2.0 Percent COLA | 17,087 | 15,693 | 0 | 1,394 |
| Total | $1,194,049 | $800,343 | $276,243 | $117,463 |

| Department of Health Care Policy and Financing- H.B. 99-1116 Recommendation | | | | |
|---|---|---|---|---|
| | Total | General Fund | CFE - Tobacco | Federal Funds |
| FY 2006-07 Long Bill | $487,777 | $34,849 | $209,040 | $243,888 |
| BA 1-G (Projected Need) | (371,708) | 0 | (185,854) | (185,854) |
| H.B. 06-1310 | 0 | (571) | 571 | 0 |
| 2.0 Percent COLA | 1,394 | 697 | 0 | 697 |
| Total | 117,463 | 34,975 | 23,757 | 58,731 |

**DEPARTMENT OF HUMAN SERVICES**
**Mental Health and Alcohol and Drug Abuse Division - Mental Health Sections**
**FY 2007-08 Figure Setting**
JBC WORKING DOCUMENT - DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

## MENTAL HEALTH INSTITUTES

The state operates two hospitals for the severely mentally ill: the Fort Logan Mental Health Institute, located in Denver, and the Pueblo Mental Health Institute. These institutes are administered by the Department of Human Services. The table below reflects the current numbers and types of beds at each mental health institute, and census (occupancy) figures for June 2006 through January 2007.

| **Mental Health Institute Beds and Occupancy - July 2006-January 2007** | | | |
|---|---|---|---|
| **Colorado Mental Health Institute at Pueblo** | | | |
| | **Beds** | **Census** | **Occupancy** |
| Adolescents | 16 | 9.3 | **58%** |
| Adult Civil | 64 | 59.9 | 94% |
| Circle Program (dual diagnosis) | 20 | 19.0 | 95% |
| Geriatrics | 40 | 35.8 | 90% |
| Medical/surgical | 20 | 9.1 | **45%** |
| Forensics | 298 | 249.0 | 84% |
| Total | 458 | 382.1 | 83% |
| | | | |
| **Colorado Mental Health Institute at Fort Logan** | | | |
| Children | 16 | 8.9 | **55%** |
| Adolescents | 18 | 10.7 | **60%** |
| Adult Civil | 94 | 87.3 | 93% |
| Geriatric | 25 | 18.9 | **76%** |
| Adolescent TRCCF | 20 | 17.3 | 87% |
| Total | 173 | 143.1 | 83% |

*Facility Occupancy Issues*

The FY 2006-07 budget for the institutes is $89.2 million to maintain 611 inpatient beds (excluding the TRCCF) or around 9,000 patients, including the churn in and out of the institutes. Fully loaded costs, including costs charged to other parts of the Department are $119.8 million. Thus, the average cost per bed is $189,841 per year. The fully-loaded cost per inpatient served at the institutes ranges from $461-$471 per day for a general adult civil bed to over $940 per day per child or adolescent served and almost $2,000 per day for the General Hospital. The exceptionally high costs for child, adolescent, and general hospital services are driven in large part by the fact that these units are currently under-utilized. Because the costs of operating a unit are fixed, when a unit is only half-full, the cost per person per day is much higher.

Over the last decade, expenditures for the state mental health institutes have been severely affected by a loss of patient-based revenue, stemming from a decline in the number of patient hospitalizations. The number of beds used at the institutes declined by about a third in the last decade, from 813 in FY 1994-95 to 529 in FY 2005-06. This declining level of patient hospitalization is attributable to two primary factors: (1) changes in the delivery of mental health services resulting from managed care; and (2) the "deinstitutionalization" of clients into a community setting. The use of managed care for mental health services has resulted in fewer hospitalizations in the institutes as mental health providers seek to provide lower cost alternative services in the community. The trend toward "deinstitutionalization" has resulted in shorter hospital stays as patients are moved more quickly to community settings for treatment, instead of being treated through lengthier stays in an institutional setting.

Recent occupancy figures for certain hospital units reflect the continuation of this trend. The impact is most evident in those units where services are "purchased" by outside entities (commonly Medicaid capitated providers) for youth age 21 and under and adults ages 65 and over, as well as the general hospital at Pueblo, where services are "purchased" by the Department of Corrections. This pattern is of great concern, because when units that could rely on outside support are open, but relatively empty, the General Fund becomes liable for the cost. Staff notes that at various points, mechanisms were in place to ensure full Medicaid reimbursement for the cost of beds used by Medicaid-eligible persons, but these are no longer in place. **Census will need to be carefully monitored by the Department and the Committee to determine whether it may be appropriate to either close more beds at the institutes or develop alternative funding mechanisms to limit the burden on the General Fund associated with under-used units.**

**DEPARTMENT OF HUMAN SERVICES**
**Mental Health and Alcohol and Drug Abuse Division - Mental Health Sections**
**FY 2007-08 Figure Setting**
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| | FY 01-02 Actual | FY 02-03 Actual | FY 03-04 Actual | FY 04-05 Actual. | FY 05-06 Actual | FY 06-07 Approp. |
|---|---|---|---|---|---|---|
| Institute Budget | $80,337,881 | $79,461,197 | $80,524,106 | $83,316,765 | $84,127,915 | $89,194,354 |
| FTE | 1,308.3 | 1,286.4 | 1,183.0 | 1,195.4 | 1,195.8 | 1,272.5 |
| Ft. Logan Avg. Daily Census | 188 | 171 | 138 | 149 | 150 | 143 |
| Pueblo Avg. Daily Census | 494 | 439 | 390 | 377 | 377 | 382 |
| Total Avg. Daily Census | 682 | 610 | 528 | 526 | 527 | 525 |
| Change in Funding | | ($876,684) | $1,062,909 | $2,792,659 | $811,150 | $5,066,439 |
| Change in FTE | | (21.9) | (103.4) | 12.4 | 0.4 | 76.7 |
| Change in Census | | (72) | (82) | (1) | 1 | (2) |

*FY 2006-07 Supplemental and FY 2007-08 Budget Amendment Requests*

The Department has submitted a revised revenue request/projection for FY 2006-07 and FY 2007-08 for the mental health institutes. The methodology employed in recent years is the following:

- The mental health institute section is financed on a bottom line basis (e.g., General Fund or cash funds are reflected at the bottom of the section's funding, rather than line by line).

- The mental health institute section is financed with patient revenues and other revenue sources. These revenues offset the total costs of the mental health institutes. The remainder of the costs are borne by the General Fund.

- This funding methodology ensures that the total funding for the mental health institutes are not dependent upon the revenues received. The methodology also eliminates any incentive for the institutes to go after revenue sources.

- This methodology also means that if cash/cash exempt revenues go up, less General Fund is needed to make up the funding. Conversely, if cash/cash exempt revenues go down, more General Fund is needed to make up the funding.

The revenue changes shown are only those for the mental health institutes. It should be noted that there are patient revenues derived from the institutes which are applied elsewhere in the Department to offset General Fund costs for programs associated with the institutes (e.g., Office of Operations). In all, $680,000 cash funds and $5,845,244 cash funds exempt institute revenue is appropriated elsewhere in the Department

FY 2006-07 Revenue Change Request

For FY 2006-07, the Department is requesting an increase of $555,565 cash funds and a cash funds exempt reduction of the same amount. **Although this appears to have a net $0 impact, this modification actually drives a net General Fund increase in the Department of Health Care Policy and Financing of $596,808**.

The increase in cash fund revenue from the FY 2006-07 appropriation is due largely to a projected increase in inpatient revenue from commercial insurance and self-pay revenue from patients, based on their ability to pay.

The decrease in cash funds exempt revenue includes:

- A decrease of $1,601,705 in fee for service Medicaid revenue;
- A decrease of $444,039 in Medicaid capitation revenue from behavioral health organizations;
- A decrease of $488,475 in projected Medicare revenue (based on a conservative projection, due to changes in Medicare billing and accounting)
- A decrease of $415,569 in anticipated revenue from the Department of Corrections

These decreases are partially offset by the following increase:

- An increase of $2,117,551 one time fee for service Medicaid adjustment due to cash basis accounting for FY 2005-06 claims paid in FY 2006-07
- Increases totaling $276,672 associated with anticipated TRCCF projected revenue, youth corrections revenue and per pupil operating revenue from the Department of Education

In addition, the projection reflects:

- A correction to the TRCCF revenue changes made in the FY 2006-07 Department of Human Services supplemental bill: the Department had mistakenly requested that $677,770 be reduced from Department of Health Care Policy and Financing appropriation for the mental health institutes, resulting in net General Fund savings which did not exist.

The Department indicates that a major factor in the reduction to fee for service Medicaid revenue is a 40 percent decrease from FY 2005-06 in DYC Medicaid children/adolescents at the Colorado Mental Health Institute at Fort Logan.

**Overall, staff finds the trends reflected in the revenue projection concerning (and this bears out in FY 2007-08), because it appears that significant, potentially structural declines in external revenue sources (particularly associated with capitated providers, the Division of Youth Corrections, and the Department of Corrections) are being offset by one-time revenue associated with accounting anomalies**. Note that the reduction in anticipated revenue from capitated providers is in addition to a $2.1 million decrease in revenues from this source included in the FY 2005-06 supplemental and FY 2006-07 Long Bill. Similarly, declines in revenue from the Department of Corrections are on top of reductions of $1.6 million (38 percent) included in the FY 2005-06 supplemental and FY 2006-07 Long Bill. In the current request, net General Fund constitutes 78.6 percent of total funds requested; it has not constituted such a large percentage of overall institute revenue since FY 2000-01.

**FY 2006-07 Mental Health Institute Revenue Estimate**

| | FY 2006-07 Est | FY 2006-07 Approp. | Difference | % Variance |
|---|---|---|---|---|
| Cash Funds | $4,844,403 | $4,288,838 | $555,565 | 12.95% |
| Cash Funds Exempt | 17,690,106 | 18,245,671 | (555,565) | -3.04% |
| Total | 22,534,509 | 22,534,509 | 0 | 0.00% |
| CFE Medicaid | 5,461,954 | 4,268,338 | 1,193,616 | 27.96% |
| Medicaid GF | 2,730,977 | 2,134,169 | 596,808 | 27.96% |
| | | | | |
| General Fund Impact (Request) | | | | |

| **FY 2006-07 Mental Health Institute Revenue Estimate** | | | | |
|---|---|---|---|---|
| | FY 2006-07 Est | FY 2006-07 Approp. | Difference | % Variance |
| Direct GF Requested | | | 0 | |
| Medicaid GF Requested | | | 596,808 | |
| **Total "net" GF Requested** | | | **596,808** | |

NOTE: This chart shows the patient revenues to the mental health institutes only. There are additional revenues received that are utilized in the Executive Director's Office and the Office of Operations.

FY 2007-08

The table below compares the FY 2006-07 revised request with the FY 2007-08 revised request.

| **FY 2006-07 compared to FY 2007-08 Institute Revenue Estimate** | | | | |
|---|---|---|---|---|
| | FY 2007-08 Est | FY 2006-07 Approp. | Difference | % Variance |
| Cash Funds | 4,844,403 | $4,844,403 | $0 | 0.00% |
| Cash Funds Exempt | 16,107,974 | 17,690,106 | (1,582,132) | -8.94% |
| Total | 20,952,377 | 22,534,509 | (1,582,132) | -7.02% |
| CFE Medicaid | 3,344,403 | 5,461,954 | (2,117,551) | -38.77% |
| Medicaid GF | 1,672,201 | 2,730,977 | (1,058,776) | -38.77% |
| | | | | |
| General Fund Impact (Request) | | | | |
| Direct GF Requested | | | 1,582,132 | |
| Medicaid GF Requested | | | (1,058,776) | |
| **Total "net" GF Requested** | | | **523,356** | |

As reflected I the above table, the FY 2007-08 request reflects significant revenue declines from the FY 2006-07 request. The major reduction is based on:

- Elimination of $2.2 million in one-time Medicaid cash-accounting adjustments that assist the FY 2006-07 revenue picture;

This decrease is partially offset by:

- Projected increase of $304,294 associated with the annualization of the Sol Vista and La Vista DYC and DOC facilities; and
- Projected increase of $283,980 for Medicare revenue, associated with maintaining the $900,000 typically anticipated for Medicare settlements for prior year expenditures. (Medicare settlement revenue fluctuates significantly and is commonly adjusted during the supplemental process when better information is available)

The table below provides a comparison of the FY 2007-08 revenue requests submitted November 1, 2006, January 1, 200, and February 27, 2007. As shown, the current revenue request is $1.1 million net General Fund higher than the November 2006 submission and $1.4 million net General Fund higher than the January 2007 budget amendment. (The January budget amendment included the same error as the FY 2006-07 supplemental in that it incorrectly indicated General Fund savings that did not exist associated with TRCCF revenue changes; this is corrected in the current request).

**FY 2007-08 Mental Health Institute Revenue Estimate**

| | 2/07 Current Revenue Request | 1/07 Request | Difference 2/07 Request and 1/07 Request | 11/06 Request | Difference 2/07 Request and 11/06 Request |
|---|---|---|---|---|---|
| Cash Funds | 4,844,403 | 4,288,838 | 555,565 | 3,770,454 | 1,073,949 |
| Cash Funds Exempt | 16,107,974 | 18,549,965 | (2,441,991) | 19,086,349 | (2,978,375) |
| Total | 20,952,377 | 22,838,803 | (1,886,426) | 22,856,803 | (1,904,426) |
| CFE Medicaid | 3,344,403 | 4,268,338 | (923,935) | 4,946,108 | (1,601,705) |
| Medicaid GF | 1,672,201 | 2,134,169 | (461,968) | 2,473,054 | (800,853) |
| | | | | | |
| Increase/(Decrease) in General Fund required by current estimate compared to: | | | | | |

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| FY 2007-08 Mental Health Institute Revenue Estimate | | |
|---|---|---|
| | **Jan 07 Est** | **Nov 06 Est** |
| Direct GF Needed | 1,886,426 | 1,904,426 |
| Medicaid GF | (461,968) | (800,853) |
| **Total "net" GF** | **1,424,458** | **1,103,573** |

NOTE: This chart shows the patient revenues to the mental health institutes only. There are additional revenues received that are utilized in the Executive Director's Office and the Office of Operations. As such, this understates the total revenues and because all the variation in revenues collected are shown at the institute level, it does distort the percentage change.

*Staffing Summary: Mental Health Institutes*

| Mental Health Institutes Staffing Summary | FY 2005-06 Actual | FY 2006-07 Approp. | FY 2007-08 Request | FY 2008-09 Recomm. |
|---|---|---|---|---|
| Administration | 58.8 | 61.4 | 61.4 | 61.4 |
| Administrative Support/ Medical Records | 84.2 | 84.8 | 84.8 | 84.8 |
| Clinicians /Technicians (direct care) | 291.7 | 284.6 | 284.6 | 284.6 |
| Nursing | 304.8 | 317.1 | 317.1 | 317.1 |
| Social Worker/ Clinical Therapist/ Psychologist | 129.8 | 140.3 | 140.3 | 140.3 |
| Medical/ Dental/ Lab/ Pharmacy | 61.3 | 72.2 | 72.2 | 72.2 |
| Physical / Occupational Therapy | 23.0 | 24.9 | 24.9 | 24.9 |
| Food Service/ Physical Plant/ Misc. Patient Services | 97.4 | 103.3 | 103.3 | 103.3 |
| Public Safety/ Security | 86.6 | 95.6 | 95.6 | 95.6 |
| Teachers/Librarians | 9.9 | 11.0 | 11.0 | 11.0 |
| Total | 1,147.5 | 1,195.2 | 1,195.2 | 1,195.2 |
| Supp/BA 1-J (20 bed unit) | n/a | 19.9 | 47.7 | 47.7 |
| Total | 1,147.5 | 1,215.1 | 1,242.9 | 1,242.9 |

Mental Health Institutes

In the FY 2005-06 Long Bill, the JBC consolidated the personal services and operating expenses for the Mental Health Institutes in order to allow them greater flexibility and to minimize opportunities for overexpenditure problems. This line item thus includes the personal services and operating expenses for both the Pueblo Mental Health Institute and the Mental Health Institute at Fort Logan. The table below reflects the components of the request and the recommendation.

| | **Request** | | **Recommendation** | |
|---|---|---|---|---|
| | Amount | FTE | Amount | FTE |
| FY 2006-07 Long Bill | 83,211,459 | 1,195.2 | 83,211,459 | 1,195.2 |
| Supplemental 1-J | 1,436,292 | 19.9 | 1,436,292 | 19.9 |
| FY 2006-07 Approp | 84,647,751 | 1,215.1 | 84,647,751 | 1,215.1 |
| Annualize Suppl/BA 1-J | 1,459,966 | 27.8 | 1,459,966 | 27.8 |
| Salary Survey | 2,140,682 | 0.0 | 2,140,682 | 0.0 |
| Base Reduction | 0 | 0.0 | (393,139) | 0.0 |
| Medical Inflation | 0 | 0.0 | 324,892 | 0.0 |
| Food Inflation | 0 | 0.0 | 27,288 | 0.0 |
| | **88,248,399** | **1,242.9** | **88,207,440** | **1,242.9** |

| **Staff Recommendation - Personal Services/Operating Expenses Break-down** | | | |
|---|---|---|---|
| | **Personal Services** | | **Operating Expenses** |
| | Amount | FTE | Amount |
| FY 2006-07 Long Bill | 74,120,224 | 1,195.2 | 9,091,232 |
| Supplemental/BA 1-J (supplemental + annualization) | 2,366,918 | 47.7 | 529,340 |
| Salary Survey | 2,140,682 | 0.0 | 0 |
| Base Reduction | (393,139) | 0.0 | 0 |
| Medical Inflation | 239,658 | 0.0 | 85,234 |

| Staff Recommendation - Personal Services/Operating Expenses Break-down | | | |
|---|---|---|---|
| | **Personal Services** | | **Operating Expenses** |
| | Amount | FTE | Amount |
| Food Inflation | 0 | 0.0 | 27,288 |
| Total | 78,474,343 | 1,242.9 | 9,733,094 |

Both the Department request and staff recommendation reflect common policy calculations, as well as the annualized impact of Supplemental/Budget Amendment 1-J (20 bed competency restoration unit). The components of the calculation and primary differences are reviewed below.

***Supplemental 1-J (20 Bed Competency Restoration Unit):*** This component reflects the impact in FY 2006-07, annualized in FY 2007-08, of a new 20 bed competency restoration unit opened initially based on an emergency "1331" supplemental approved December 15, 2007. The unit was opened to address long waiting lists for evaluations and competency restoration for individuals referred by the courts to CMHIP. The waiting list included 80 persons as of October 2006, with time to admission in some cases as long as six months. These delays led to legal contempt proceedings that were ultimately resolved through a settlement agreement *(State of Colorado v. Zuniga, Sims and Kirkwood).* The settlement was accepted by the court as grounds for dismissal of litigation; however, no final court order making the settlement an order of the court has occurred to date.

*History of this issue*: The Joint Budget Committee previously included a footnote in the FY 2006-07 Long Bill that expressly asked the State to report on its efforts to address the waiting list for competency evaluation and treatment for those deemed incompetent to proceed. The Governor vetoed the footnote and instructed the Department not to comply. The Department subsequently approached the Committee in November 2006 requesting an emergency supplemental due to legal action on this issue. At that point, the JBC had little choice but to agree to the Department's proposal to reopen the 20 bed unit. Although the Committee was interested in other options for addressing the waiting list for services, and had a proposal put forth by community-based providers for addressing the problem, this could not be funded through emergency supplemental procedures without the agreement of the Office of State Planning and Budgeting.

*Settlement Agreement:* The terms of the settlement agreement are summarized below.

- Term of the agreement is from document execution to the date that the process of patient admissions begins at the new institute for forensic psychiatry, scheduled to open in the summer of 2009;
- All inmates (except "Special Circumstances") on the original wait list will be offered admission by February 28, 2007.
- Creation of an inmate/patient tracking system for purposes of reporting to the plaintiffs' attorneys the status of all referred inmates, and terms of reporting.
- Quarterly reporting on average placement times beginning April 15, 2007, identifying any placement requiring more than 28 days and demonstrating compliance with the 24-day average required by the agreement. Informal monthly reporting to plaintiff's attorneys beginning February 15, 2007
- By April 15, 2007, offer of admission to all Referred Inmates, except "Special Circumstances" inmates within 28 days of the "Ready for Admission" date.
- By April 15, 2007, excluding "Special Circumstances" inmates, maintain a Quarterly Average date between "Ready for Admission" and "Offered Admission" dates of 24 days.
- Provisions to not penalize the Department for circumstances beyond its control.
- Provisions for arbitration, and limited fines (not to exceed $1,000 per quarter per violation plus attorney's fees) established by the judge, for a finding of noncompliance by the Department
- Agreement by the Department to provide education to state court judges, clerks, public defenders and the Colorado District Attorneys' Council regarding relevant portions of Colorado statute, including provisions that authorize judges to commit clients for psychiatric evaluations to locations other than CMHIP
- Payment of $20,000 plaintiffs' attorneys' fees.

*Exemption from the six percent limit*: The Attorney General's Office initially expressed an informal opinion that, pursuant to the settlement agreement, *if the agreement was made an order of the court*, the expenditures associated with the new 20 bed unit are exempt from the six percent limit on increases in General Fund appropriations, pursuant to Section 24-75-201.1 (1) (a) (III) (B), which excludes from the six percent limit "Any state general fund appropriation which, as a result of any requirement of a final state or federal court order, is made for any new program or service or for any increase in the level of service for an existing program beyond the existing level of service;". Staff subsequently determined that the settlement agreement had not been made an order of the court, although the judge had dismissed the cases against the State on the basis of the settlement. **The Office of Legislative Legal Services has expressed the opinion that the expenditures are not exempt, as the settlement agreement is not an order of the court**. The Executive Branch has indicated that it will explore having the agreement made an order of the court; however, there is

concern that, if the agreement is made an order of the court, Department staff could be at risk of being held in contempt if the Department is unable to fully comply with the settlement agreement for reasons beyond its control.

*Footnote:* Staff recommends that the following footnote be included in the Long Bill:

N2 Department of Human Services, Mental Health and Alcohol and Drug Abuse Services, Mental Health Institutes – The Department is requested to provide the Joint Budget Committee with copies of the quarterly reports on waiting times for competency evaluation and treatment at the Mental Health Institute at Pueblo (CMHIP) that are required pursuant to the *State of Colorado v. Zuniga, Sims and Kirkwood* lawsuit settlement. Such reports shall exclude any personally-identifiable information. The Department is further requested to provide a report to the Joint Budget Committee by November 1, 2007 identifying options and recommendations for ensuring that the waiting list for competency restoration and evaluations at CMHIP do not exceed settlement requirements in the future. This includes evaluating options for promoting and improving the provision of mental health services in jails to minimize the need for competency restorations and evaluations at CMHIP.

There is a significant risk that waiting lists for competency restorations and evaluations at CMHIP could again grow if the Department is not successful at working with the courts and with community mental health providers to promote appropriate services in the jails and at other locations close to where individuals are being adjudicated. Department staff have expressed concern that if competency evaluations and competency treatment is not conducted appropriately, it may lead to inappropriate court determinations on individual's sanity and to increased long-term commitments to the institute for forensic psychiatry. This is a legitimate concern; however, there are clearly ways to address this concern that do not require CMHIP to conduct a large portion of such evaluations at CMHIP inpatient settings. Given the substantial costs for the State associated with on-site treatment at CMHIP, staff believes it is important for the JBC to continue to track this issue closely.

***Salary Survey and Base Reduction:*** Consistent with JBC common policy, the staff recommendation includes a 0.5 percent reduction to personal services base funding, a General Fund reduction of $393,139. The Department's request included no base reduction (i.e., it did not include the 0.2 percent base reduction reflected in the Executive request), because the program was given an exemption to the common policy by OSPB. The staff recommendation has not included any such exemption for the following reasons:

- Once other differences in common policy differences are taken into account, the total request and total recommendation differ by less than 41,000 (about .05 percent of the total line item).

- In FY 2006-07, the Department of Human Services reverted $606,796 of its salary survey allocations, including $136,762 General Fund. The Department's salary survey allocation may be used to address specific institutional shortfalls that result from common policy calculations.

In the event that the Committee *wished* to provide some kind of exemption for the mental health institutes and regional centers (the two entities in the Department of Human Services that received OSPB base reduction exemptions), staff would suggest that such exemptions be based on direct service staff positions that must be continually covered. When vacancies occur in these positions, the Department must cover the positions through pool staff or overtime to maintain basic required staffing ratios. Thus, the Department has somewhat less flexibility in managing associated costs for these positions than it does for other staff positions.

In response to staff inquiries, the Department identified two potential criteria for excluding positions from personal services reductions: (1) position classifications that have received shift-differential payments in the last year, including positions ranging from nursing staff, to pharmacy staff, to psychologists that have been required on a 24 hour basis; and (2) direct care nursing positions, reflecting a subset of the above job classification, including non-supervisory nurses and client care technicians and aides. Using the first, broader criterion, 62.8 percent of mental health institute personal services funding would be exempt. If this group is exempted, the base personal services reduction for the institutes would be ($146,248) as opposed to the staff recommendation of ($393,139). *Using the second, narrower criterion, 39.0 percent of mental health institute personal services funding would be exempt. If this group is exempted, the base personal services reduction for the institutes would be ($239,815) instead of ($393,139).*

***Inflationary adjustments***: Consistent with JBC common policy, staff has included 2.0 percent inflationary adjustments on qualifying actual FY 2005-06 medical expenses and a 1.8 percent inflationary adjustment of food expenses. The Executive request did not include any inflationary adjustments. Note that a substantial portion of the inflationary adjustment reflects a personal services increase on contractual medical services. This portion of the line item includes funding for physician salaries, in addition to other medical services. Because these contractual services are not subject to salary survey, there is no routine mechanism for addressing annual inflationary increases for this group other than through medical inflationary adjustments. The base amount used for this

calculation ($11,982,890 based on FY 2005-06 actuals) was provided by the Department from the COFRS system. This represents most contractual expenditures by the mental health institutes.

Sol Vista DYC Facility Services

The mental health institutes provide support services for the new Sol Vista Division of Youth Corrections Facility that opened on the Pueblo campus during FY 2006-07. **The staff recommendation for $548,765 cash funds exempt and 5.0 FTE, like the Department request, reflects the FY 2007-08 annualization for Sol Vista of $181,486 cash funds exempt and 1.2 FTE. However, staff also recommends that, in the Long Bill, this line item be consolidated into the main Mental Health Institutes line item**. In the numbers pages, amounts are shown in the Sol Vista line item; however, if the JBC approves the staff recommendation, staff will consolidate this amount in the Mental Health Institutes line item. The Mental Health Institutes budget includes funding for support services to a substantial number of correctional facilities on the Pueblo campus and, consistent with the way support services for these other facilities have been treated, staff believes it is appropriate to consolidate the Sol Vista facility funding into the main line item.

La Vista DOC Facility Services

The mental health institutes provide support services for the new La Vista Correctional Facility that opened on the Pueblo campus during FY 2006-07. **The staff recommendation for $400,493 cash funds exempt and 5.0 FTE, like the Department request, reflects the FY 2007-08 annualization for La Vista of $181,486 cash funds exempt and 1.2 FTE.**

**However, staff also recommends that, in the Long Bill, this line item be consolidated into the main Mental Health Institutes line item**. In the numbers pages, amounts are shown in the La Vista line item; however, if the JBC approves the staff recommendation, staff will consolidate this amount in the Mental Health Institutes line item. The Mental Health Institutes budget includes funding for support services to a substantial number of correctional facilities on the Pueblo campus and, consistent with the way support services for these other facilities have been treated, staff believes it is appropriate to consolidate the La Vista facility funding into the main line item.

General Hospital

In FY 2005-06 Long Bill, the JBC consolidated the personal services and operating expenses for the State Hospital (General Hospital - Pueblo) in order to allow it greater flexibility and to minimize opportunities for overexpenditure problems. This line item funds the General Hospital's personal services and operating expenses in Pueblo. The table below reflects the components of the request and recommendation.

| General Hospital | | | | |
|---|---|---|---|---|
| | **Request** | | **Recommendation** | |
| | Amount | FTE | Amount | FTE |
| FY 2006-07 Long Bill | 3,166,203 | 36.0 | 3,166,203 | 36.0 |
| Supplemental 1-J | 59,883 | 0.0 | 59,883 | 0.0 |
| FY 2006-07 Approp | 3,226,086 | 36.0 | 3,226,086 | 36.0 |
| Annualize Suppl/BA 1-J | 63,291 | 0.0 | 63,291 | 0.0 |
| Salary Survey | 80,980 | 0.0 | 80,980 | 0.0 |
| Base Reduction | 0 | 0.0 | (14,706) | 0.0 |
| Medical Inflation | 0 | 0.0 | 24,196 | 0.0 |
| | **3,370,357** | **36.0** | **3,379,847** | **36.0** |

The components of the staff recommendation are broken into personal services and operating expenses categories below.

| Staff Recommendation - Personal Services/Operating Expenses Break-down | | | |
|---|---|---|---|
| | **Personal Services** | | **Operating Expenses** |
| | Amount | FTE | Amount |
| FY 2006-07 Long Bill | 2,860,826 | 36.0 | 305,377 |
| Supplemental/BA 1-J (supplemental + annualization) | 0 | 0.0 | 123,174 |
| Salary Survey | 80,980 | 0.0 | 0 |
| Base Reduction | (14,706) | 0.0 | 0 |
| Medical Inflation | 15,867 | 0.0 | 8,332 |
| Total | 2,942,967 | 36.0 | 436,883 |

As reflected in the table, the components of the request and recommendation are as described under the main Mental Health Institutes line item, and include common policy adjustments and the impact

of Supplemental/Budget Amendment 1-J (20 bed competency restoration unit). As reflected in the table, staff has included a 0.5 percent base reduction amount for personal services, consistent with Committee common policy. *If the Committee wished to exclude direct care nursing from this calculation, staff calculates that this would exclude 48.3 percent of the personal services dollars from the reduction, leading to reduction of $7,649 in lieu of the $14,706 reduction shown.* Note that the current recommendation is already higher than the Department request; a smaller base reduction would increase the differential.

Educational Programs

Local school districts and the Department of Education provide funding for educational services at the institutes. The source of funding for this line item is primarily from per pupil operating revenue and special education funds transferred from the school districts. The table below compares the components of the request and recommendation. As reflected, the differences are based on common policy calculation items.

| **Education Program** | | | | |
|---|---|---|---|---|
| | **Request** | | **Recommendation** | |
| | Amount | FTE | Amount | FTE |
| FY 2006-07 Long Bill | 675,553 | 15.0 | 675,553 | 15.0 |
| Salary Survey | 13,366 | 0.0 | 13,366 | 0.0 |
| Base Reduction | 0 | 0.0 | (3,381) | 0.0 |
| Food Inflation | 0 | 0.0 | 4,707 | 0.0 |
| | **688,919** | **15.0** | **690,245** | **15.0** |

Indirect Cost Assessment

This line item was eliminated in FY 2006-07.

**DEPARTMENT OF HUMAN SERVICES**
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## Footnotes Recommendations

As previously discussed, staff recommends the addition of the following footnotes:

N1 Department of Human Services, Mental Health and Alcohol and Drug Abuse Services, Administration, Traumatic Brain Injury Trust Fund - It is the intent of the General Assembly that no more than 7.5 percent of total expenditures in this line item be for administrative expenses. The Department is requested to include information in its budget request demonstrating compliance with this requirement.

N2 Department of Human Services, Mental Health and Alcohol and Drug Abuse Services, Mental Health Institutes – The Department is requested to provide the Joint Budget Committee with copies of the quarterly reports on waiting times for competency evaluation and treatment at the Mental Health Institute at Pueblo (CMHIP) that are required pursuant to the *State of Colorado v. Zuniga, Sims and Kirkwood* lawsuit settlement. Such reports shall exclude any personally-identifiable information. The Department is further requested to provide a report to the Joint Budget Committee by November 1, 2007 identifying options and recommendations for ensuring that the waiting list for competency restoration and evaluations at CMHIP do not exceed settlement requirements in the future. This includes evaluating options for promoting and improving the provision of mental health services in jails to minimize the need for competency restorations and evaluations at CMHIP.

**Staff recommends the following footnotes be continued or continued as amended:**

57 Department of Human Services, Mental Health and Alcohol and Drug Abuse Services, Administration, Personal Services -- It is the intent of the General Assembly that the Department utilize this appropriation for personal services for its salaries and other related personal services costs and that the Department not bill these expenses to any program line items.

Comment: This footnote was vetoed and the Department was directed not to comply. This footnote was vetoed citing a conflict with the Colorado Constitution, Article III, in that it interferes with the ability of the executive branch to administer the appropriation. This footnote expressed legislative intent that the Department pay administrative salaries out of its personal services line item and that the Department

not pay administrative salaries out of the program pass-through line for indigent mental health costs. Staff believes this requirement should be continued

58 Department of Human Services, Mental Health and Alcohol and Drug Abuse Services, Mental Health Community Programs, Mental Health Services for the Medically Indigent, Services for ~~9,225~~ 10,296 Indigent Mentally Ill Clients; EARLY CHILDHOOD MENTAL HEALTH SERVICES; Assertive Community Treatment Programs, Alternatives to Inpatient Hospitalization at the Mental Health INSTITUTES; ~~Institute at Pueblo; Alternatives to Inpatient Hospitalization at the Mental Health Institute at Fort Logan; Alternatives to the Fort Logan Aftercare Program;~~ Enhanced Mental Health Pilot Services for Detained Youth; ~~Juvenile Mental Health Pilot (H.B. 00-1034); Alternatives to Inpatient Hospitalization for Youth; Goebel Lawsuit, Goebel Lawsuit Settlement~~; Residential Treatment for Youth (H.B. 99-1116); and Alcohol and Drug Abuse Division, Community Programs, Treatment Services, Treatment and Detoxification Contracts; Case Management for Chronic Detoxification Clients; High Risk Pregnant Women Program; and Other Programs, Balance of Substance Abuse Block Grant Programs -- Funding for these line items is calculated including a ~~3.25~~ 2.0 percent rate increase for community providers.

Comment: This footnote simply outlined the methodology by which the program line item was calculated.

59 Department of Human Services, Mental Health and Alcohol and Drug Abuse Services, Mental Health Community Programs, Mental Health Services for the Medically Indigent, Services for ~~9,225~~ 10,296 Indigent Mentally Ill Clients -- It is the intent of the General Assembly that this money be used solely as a direct services pass-through to community mental health centers.

Comment: This footnote was vetoed and the Department was directed not to comply. This footnote was vetoed citing a conflict with the Colorado Constitution, Article III and possibly Article V, Section 32, in that it interferes with the ability of the executive branch to administer the appropriation. This footnote expressed legislative intent that the Department pay administrative salaries out of its personal services line item and that the Department not pay administrative salaries out of the program pass-through line for indigent mental health costs. Staff believes this footnote should be continued.

63 Department of Human Services, Mental Health and Alcohol and Drug Abuse Services, Mental Health Institutes -- It is the intent of the General Assembly that civil allocated beds be distributed in a manner such that clients may be served in a mental health institute in closer geographic proximity to the clients' respective homes. Best practices dictate that the provision of care should occur in the closest proximity to family and support in order to facilitate recovery. The Department's 20-year-old bed allocation plan does not follow this best practice. THE DEPARTMENT IS REQUESTED TO PROVIDE A REPORT BY NOVEMBER 1, 2006 ON THE OPTIONS AND RECOMMENDATIONS FOR ADDRESSING THIS PROBLEM, TAKING INTO CONSIDERATION THE LIMITS ON AVAILABLE STATE FUNDING. ~~Because allocated civil beds are instead being utilized at the Mental Health Institute at Pueblo for competency evaluations and restoration of competency services, fewer beds are available for civil allocations. To that end, it is the intent of the General Assembly that the Department evaluate options for addressing the current backlog for competency evaluations and restoration of sanity cases at the Mental Health Institute and explore alternative means for addressing this problem and the problem of the civil allocated beds. A report on the Department's findings and recommendations is requested to be provided to the Joint Budget Committee and the House and Senate Health and Human Services Committees by no later than November 1, 2006. Said report is requested to consider options for addressing this backlog and providing for a more appropriate allocation of civil beds. Said report is requested to evaluate efficient and effective options for utilizing other means and/or facilities in the state to provide said services and to evaluate options for providing mental health services in the jails to minimize the need for such restorations, thus reducing the workload and backlog. As a result of this research, it is the intent of the General Assembly to minimize the evaluations and restorations workload and backlog for the Mental Health Institute at Pueblo so that the beds allocated for civil-based mental health services can be utilized more effectively and efficiently.~~

Comment: This footnote was vetoed and the Department was directed not to comply. This footnote was vetoed citing a conflict with the Colorado Constitution, Article III and possibly Article V, Section 32, in that it interferes with the ability of the executive branch to administer the appropriation. Staff has recommended a new footnote to address the competency restoration issue. However, staff recommends continuation of the first portion of this footnote, concerning bed allocations, as this is an ongoing issue area of concern.

Staff recommends that the following footnotes be **eliminated**:

60 Department of Human Services, Mental Health and Alcohol and Drug Abuse Services, Mental Health Community Programs, Mental Health Services for the Medically Indigent, Services for 9,225 Indigent Mentally Ill Clients -- It is the intent of the General Assembly that $450,000 General Fund of this appropriation be used for crisis stabilization services in western Colorado and that $450,000 General Fund of this appropriation also be used for crisis stabilization services in southwestern Colorado.

Comment: This footnote was vetoed by the Governor citing a conflict with the Colorado Constitution, Article III and possibly Article V, Section 32, in that it interferes with the ability of the executive branch to administer the appropriation. The Governor indicated that the two regions have unique needs but stated that the Department has methodologies in place to allocate funding based on need. The Governor directed the Department to comply with the footnote to the extent feasible without disproportionately affecting all needy clientele statewide. The Department indicated that the funding was targeted as requested. Funds were provided to the Southwest Colorado Mental Health Center were to open and operate the Crossroads Acute Treatment Unit on the campus of the Mercy Medical Center in Durango, Colorado. The facility consists of 15 adult beds (6 female, 8 male, 1 observation bed for either gender), and is designed to serve individuals in psychiatric crisis who are in need of short-term stabilization. The funds provided to the Colorado West Regional Mental Health Center were to serve clients in need of stabilization services in the Triage Unit of the West Slope Mental Health Stabilization Unit. The Triage Unit consists of 12 beds and four secure rooms. Staff does not believe this footnote needs to be continued, as the purpose of the funding is now established.

61 Department of Human Services, Mental Health and Alcohol and Drug Abuse Services, Mental Health Community Programs, Mental Health Services for the Medically Indigent, Juvenile Mental Health Pilot (H.B. 00-1034) -- The Department is requested to provide a report that reconciles its estimates of programmatic savings with that provided by the Department of Public Safety. The report is also requested to include recommendations for program expansion, if appropriate. This report is requested to be provided to the Joint Budget Committee by no later than November 1, 2006.

Comment: The Department submitted a report that had been provided to the General Assembly on May 5, 2006 as its November 1, 2006 response to this footnote. Consistent with the conclusions of the report and the sunset date for the program, the line item is being discontinued. Therefore, this footnote is not required.

62 Department of Human Services, Mental Health and Alcohol and Drug Abuse Services, Mental Health Community Programs, Goebel Lawsuit, Goebel Lawsuit Settlement -- The Department is requested to report on the status of the court order. The Department is also requested to provide a report detailing any programmatic changes that will be necessary once the state is no longer governed by a court order, including but not limited to changes in categorizing expenditures pursuant to federal funds indicated by the Centers for Medicare and Medicaid Services and changes in service modality to improve outcome measures. This report is requested to be provided to the Joint Budget Committee by no later than November 1, 2006.

Comment: This footnote was vetoed. The Governor's veto message indicates that it is in violation of Article III and possibly Article V, Section 32 because it interferes with the ability of the executive to administer the appropriation and may constitute substantive legislation The Governor directed the Department to comply with the footnote to the extent feasible, and a report was submitted. Funding changes associated with the conclusion of the Goebel Lawsuit Settlement have already been made on a supplemental basis for FY 2006-07, and changes are continued and modified in FY 2007-08. As a result, staff does not believe this footnote needs to be continued; nonetheless, staff does expect to continue to follow with the Department the extent to which services for the "former" Goebel population are changing over time.