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Fiscal Note

Drafting Number: LLS 24-0343
Prime Sponsors:

Date: October 23, 2023
Bill Status: Bill Draft
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Bill Topic: CHILDREN'S BEHAVIORAL HEALTH STATEWIDE SYSTEM OF CARE

- Summary of Fiscal Impact:
- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- Statutory Public Entity

The bill requires the development of a comprehensive children's behavioral health system of care by the Behavioral Health Administration. The bill increases state expenditures on an ongoing basis beginning in FY 2024-25.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of \$3.8 million to multiple state agencies.

Fiscal Note Status: The fiscal note reflects the bill draft requested by the Colorado Child Welfare System Interim Study Committee.

Table 1
State Fiscal Impacts Under Bill 2

Table with 5 columns: Category, Budget Year FY 2024-25, Out Year FY 2025-26, Out Year FY 2026-27. Rows include Revenue, Expenditures (General Fund, Cash Funds, Federal Funds, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts (General Fund Reserve).

Summary of Legislation

The bill establishes the Office of the Children's Behavioral Health Statewide System of Care in the Behavioral Health Administration (BHA) to develop and maintain a comprehensive children's behavioral health system of care. The system should allow children and youth up to twenty-one years of age to have a single point of access to behavioral health care regardless of payer, insurance, and income.

The bill outlines what the system include must include at minimum and sets timelines for the office in developing the system of care.

The services to be provided by the system of care include:

- a statewide behavioral health standardized screening and assessment tool;
- a trauma informed mobile crisis response and stabilization service for children and youth;
- intensive care coordination and moderate care coordination depending on level of need with coordination provided by a conflict-free case management entity;
- parent and youth peer support;
- intensive in-home and community based services;
- out-of-home treatment services; and
- respite services.

The timelines in the bill for implementing the system of care include requiring:

- the BHA to create a leadership team by November 1, 2024, and provide a report by July 1, 2027;
- the BHA to create an implementation team to develop an implementation plan for the system of care by January 15, 2025, including creating a capacity-building center to train, coach, and certify providers of services in the system of care;
- the BHA to create an advisory council by January 15, 2025;
- the BHA leadership team to begin or contract for a cost and utilization analysis of the populations of child and youth who are included in the system of care by January 1, 2025, and report by July 1, 2025; and
- the Department of Health Care Policy and Financing (HCPF) to establish medical necessity criteria for all services in the system of care and set standard rate and utilization floors for all services across all managed care entities by July 1, 2025.

The bill also requires the office to develop and establish a data and quality team to track and report annually on key child welfare factors; develop a website and perform outreach to provide information to the public on the implementation of the system of care; and develop a grievance policy. HCPF is also required to establish a standard statewide Medicaid fee schedule or rate frame for behavioral health services for children and youth.

Assumptions

Timeline. As the bill does not specify a start date for service delivery through the system of care, the fiscal note assumes that in FY 2024-25, the BHA will incur costs related to developing the policies, systems, and data to inform the implementation of the system of care, including the resources and staff required to convene the leadership team, create the implementation team, and create an advisory council. There will also be costs associated with conducting the cost and utilization analysis, establishing the data and quality team, developing a grievance policy, developing the website, and performing public outreach. In FY 2024-25, HCPF will also establish a standard uniform medical necessity criteria, as well as a standard Medicaid fee schedule and rate frame.

Once the implementation plan is completed in January 2026, the fiscal note assumes that services and programs will then be offered through the system of care for half of FY 2025-26. Full service costs are realized in FY 2026-27.

State Expenditures

The bill increases state expenditures by \$3.8 million in FY 2024-25, \$568 million in FY 2025-26, and \$1.1 billion per year in FY 2026-27 and future years. These costs are primarily paid from the General Fund, with cash funds and federal funds available for a small portion of the total costs. The vast majority of costs are in the BHA. HCPF and the Department of Human Services will also have costs under the bill. These costs are outlined in Table 2 and described in more detail below.

**Table 2
 Expenditures Under Bill 2**

	FY 2024-25	FY 2025-26	FY 2026-27
Behavioral Health Administration			
Personal Services	\$1,210,018	\$1,792,061	\$2,090,359
Operating Expenses	\$16,640	\$24,960	\$29,440
Capital Outlay Costs	\$106,720	\$46,690	-
Legal Services	\$230,436	\$230,436	\$230,436
Service costs	-	\$505,192,188	\$1,010,384,376
Capacity-building Center Initiatives	-	\$29,707,824	\$59,415,649
Capacity-building Center Contractor	-	\$250,000	\$500,000
Capacity-building Center Data System	-	\$200,000	\$50,000
Implementation Plan Contractor	\$800,000	-	-
Cost and Utilization Analysis Contractor	\$350,000	-	-
Public Awareness Campaign	\$300,000	\$300,000	\$300,000

Table 2
Expenditures Under Bill 2 (Cont.)

	FY 2024-25	FY 2025-26	FY 2026-27
Behavioral Health Administration (Cont.)			
Website Developer Contractor	\$100,000	\$25,000	\$25,000
Data Team Technical Support	\$25,000	\$25,000	\$25,000
Centrally Appropriated Costs ¹	\$263,093	\$392,484	\$460,737
FTE – Personal Services	13.0 FTE	19.5 FTE	23.0 FTE
FTE – Legal Services	1.0 FTE	1.0 FTE	1.0 FTE
BHA Subtotal	\$3,401,907	\$538,186,643	\$1,073,510,997
<i>General Fund</i>	\$3,138,814	\$537,794,159	\$1,073,050,260
<i>Centrally Appropriated</i>	\$263,093	\$392,484	\$460,737
Health Care Policy and Financing			
Personal Services	\$151,478	\$423,791	\$669,372
Operating Expenses	\$2,176	\$5,760	\$8,960
Capital Outlay Costs	\$13,340	\$33,350	-
Screening and Assessment	-	\$22,896,251	\$45,792,500
Intensive Care Treatment	-	\$675,00	\$3,474,000
Wraparound services	-	\$1,370,400	\$2,740,800
Contracted Services	\$202,500	-	-
Centrally Appropriated Costs ¹	\$35,190	\$95,292	\$149,184
FTE – Personal Services	1.7 FTE	4.5 FTE	7.0 FTE
HCPF Subtotal	\$404,684	\$25,499,844	\$52,834,816
<i>General Fund</i>	\$184,747	\$11,177,868	\$23,543,574
<i>Cash Fund</i>	-	\$375,020	\$759,982
<i>Federal Funds</i>	\$184,747	\$13,851,664	\$28,382,076
<i>Centrally Appropriated</i>	\$35,190	\$95,292	\$149,184
Department of Human Services			
Personal Services	-	\$49,116	\$98,232
Operating Expenses	-	\$640	\$1,280
Capital Outlay Costs	-	\$6,670	-
Psychiatric Residential Treatment Facility Beds	-	\$4,243,125	\$8,486,250
Centrally Appropriated Costs ¹	-	\$10,266	\$20,533
FTE – Personal Services	-	0.5 FTE	1.0 FTE
CDHS Subtotal	-	\$4,309,817	\$8,606,295
<i>General Fund</i>	-	\$4,292,216	\$8,572,826
<i>Federal Funds</i>	-	\$7,335	\$12,936
<i>Centrally Appropriated</i>	-	\$10,266	\$20,533

Table 2
Expenditures Under Bill 2 (Cont.)

	FY 2024-25	FY 2025-26	FY 2026-27
Grand Total – All Agencies			
General Fund	\$3,323,562	\$553,264,243	\$1,105,166,660
Cash Funds	-	\$375,020	\$759,982
Federal Funds	\$184,747	\$13,858,999	\$28,395,013
Centrally Appropriated ¹	\$298,283	\$498,042	\$630,454
Total Costs – All Agencies	<u>\$3,806,592</u>	<u>\$567,996,304</u>	<u>\$1,134,952,108</u>
Total FTE – All Agencies	15.7 FTE	25.5 FTE	32.0 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Behavioral Health Administration. BHA requires staff, contracted services, and costs for the services provided through the behavioral health system of care, with the start dates for these costs described in the Assumptions section.

- **Staff.** In FY 2024-25, BHA will require 16.0 FTE to support the administrative and leadership responsibilities required by the newly created office; to oversee the teams and development of policies for system of care; to create and refine claims and rule systems for system of care; to provide implementation team oversight and staff support; to develop assessment tools; to expand data systems and report data on child welfare factors; develop a grievance policy; perform education and outreach on the system of care to the public; and liaise with other departments and contractors. Staff costs in FY 2024-25 are prorated for a September 2024 start date.

In FY 2025-26 and ongoing years, FTE will increase to 23.0 FTE, to implement assessment tools and oversee service delivery, provide training and technical assistance regarding mental health assessments, and manage the implementation of the capacity-building center. Staff costs are prorated in FY 2025-26 for a January 2026 start date. Full FTE costs for the system of care are realized in FY 2026-27.

- **Implementation plan contractor.** In FY 2024-25, the BHA requires a one-time cost of \$800,000 to hire a contractor to facilitate the creation of the implementation plan by January 1, 2026.
- **Cost and utilization analysis contractor.** In FY 2024-25, the BHA requires a one-time cost of \$350,000 in to contract with a vendor to provide a cost and utilization analysis of the populations of child and youth who are included in the system of care.
- **Website development and public awareness campaign.** In FY 2024-25, the BHA requires \$100,000 to contract a website developer and \$25,000 in following years for website updates and maintenance, as well as \$300,000 annually to perform public outreach and education on the system of care.

- **Data collection and reporting technical support.** To aid the data team responsible for expanding data systems and reporting on data, the BHA requires \$25,000 annually for technical support to include expanded children and youth data into existing data systems beginning in FY 2024-25.
- **Legal services.** Beginning in FY 2024-25, the BHA will require 1,800 hours of legal services annually from the Department of Law at the rate of \$128.02 for legal review, risk analysis, potential administrative defense surrounding the implementation plan, rule promulgation duties, internal office administration and personnel matters regarding programmatic requirements, and general systemic alignment inquiries related to federal and state privacy and funding considerations.
- **Service costs.** The cost to provide services through the behavioral health system of care is estimated to be \$1.0 billion each year, as detailed in table 3 below, with services beginning in January 2026 (half of FY 2025-26). The fiscal note assumes the BHA will be responsible for providing behavioral health services for 173,200 children and youth under 21 without Medicaid. This is based on the assumption that 866,638 children and youth statewide are not covered by Medicaid, of which twenty percent will likely require behavioral health services.

Table 3
System of Care Service Costs

Description	FY 2025-26	FY 2026-27
Behavioral Health Screening and Assessment	\$217,784,500	\$435,569,000
Mobile Crisis Response and Stabilization Services	\$21,000,000	\$42,000,000
Intensive Case Management	\$1,110,402	\$2,220,804
Peer Support Services	\$1,182,000	\$2,364,000
Intensive Care	\$185,235,072	\$370,470,144
Respite Services	\$2,500,000	\$5,000,000
Early and Periodic Screening, Diagnostic, and Treatment	\$31,453,651	\$62,907,302
Service Organization Administrative Costs ¹	\$45,926,563	\$91,853,126
Total	\$505,192,188	\$1,010,384,376

¹ It is assumed that service organizations will administer the system of care network and that contractual administrative costs to service organization in the amount of 10% of the contractual service delivery costs is required to ensure service delivery under the parameters established by BHA.

- **Capacity-building center contractor and data systems.** Beginning January 1, 2026, the BHA will require \$500,000 annually to contract for a vendor to administer the capacity-building center. The contractor will train, coach, and certify providers on all services offered under the system of care, establish a provider learning community, work with rural clinics to expand capacity, and administer capacity-building grants. BHA will also require a one-time investment of \$200,000 for a data system for the center in FY 2025-26, with ongoing system costs of \$50,000 annually.
- **Capacity-building center initiatives.** The estimated cost to provide a student loan forgiveness program, paid internship and clinical rotations, a financial aid program for youth transitioning out of foster care, as well as expand current BHA efforts through the capacity building center is \$59.0 million annually. This cost estimate comes from Colorado workforce data, youth transitioning out of foster care data, behavioral health education costs, internship programs in Colorado, and funding for current BHA behavioral health workforce development initiatives. The fiscal note assumes these programs will also be offered beginning in January 1, 2026.

Department of Health Care Policy and Financing. HCPF requires staff, contracted services, and costs for the services provided through the behavioral health system of care, with the start dates for these costs described in the Assumptions section.

- Beginning in FY 2024-25, HCPF requires 2.0 FTE, along with contracted services discussed below, to establish the Medicaid fee schedule for behavioral health services and build the framework for enhanced rates and quality bonuses. Additionally, the process to establish medical necessity criteria for all services in the system of care is expected to be completed within current resources by July 1, 2025, as required. Staff costs are prorated for a September 1, 2024 start date.

Beginning FY 2025-26 with the system of care service delivery, HCPF will require an additional 5.0 FTE to oversee the implementation of the assessment tool and screening process for children; ensure that all children screened receive the federally mandated services as required by Medicaid; ensure children with CHP+ benefits who are screened and require high fidelity wraparound support services receive those services and benefits. Staff costs are prorated for a January 1, 2026 start date.

- **Contractor resources.** HCPF will require \$202,500 in contractor resources in FY 2024-25 only to pay for a managed care rates contractor to build in new rates into behavioral health capitations once the Medicaid fee schedule is established for behavioral health services.
- **Service costs.** HCPF will have costs for providing assessments, intensive care coordination, and conflict-free case management for children under medical assistance programs.
 - **Screening and assessment.** The fiscal note estimates that 18,317 children and youth under 21 with Medicaid and CHP+ will be assessed annually with the assessment tool. Each assessment will cost \$1,250 and each child will be assessed twice a year to gauge their progress and additional behavioral health needs.

- **Intensive care treatment.** The fiscal note estimates that the assessment tool will determine that approximately 100 children per year will require intensive care coordination services through the Early and Periodic Screening, Diagnostic, and Treatment benefit. The cost of to administer these services is expected to be \$1,500 per child per month. This care coordination is limited to Medicaid recipients, and it is assumed CHP+ enrollees found to require intensive care coordination would be referred to the office for coverage; however, the number of children or youth with CHP+ assessed to require care coordination services is expected to be minimal.
- **Wrap-around services.** HCPF requires an additional \$200 per member per month for 800 Medicaid enrollees and \$1,200 per member per month for 57 CHP+ enrollees to provide to Regional Accountable Entities (RAEs) to provide the high-fidelity wrap-around services in the treatment plans from the conflict-free case management entities. This is based on estimates from the funding provided to incorporate high-fidelity services into the existing services available for Medicaid-eligible children.
- **Mobile crisis response and stabilization services.** Costs to expand the department's existing mobile crisis response program may be absorbable, however, should there be a notable increase in utilization, additional providers may be required.

Department of Human Services. Currently, support for Psychiatric Residential Treatment Facility (PRTF) capacity is operated within the Office of Children, Youth and Families in CDHS. CDHS contracts PRTFs for out-of-home care for children and youth with acute mental and behavioral health needs. The fiscal note assumes CDHS will contract for 15 beds at PRTFs to build capacity as required by the bill. Each bed will operate yearly at a rate of \$1,550 per day and CDHS requires 1.0 FTE to manage these contracted beds. These costs are prorated for a January 1, 2026 start date.

Centrally Appropriated Costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are estimated to be \$298,283 in FY 2024-25, \$498,042 in FY 2025-26, and \$630,454 in FY 2026-27 across all affected departments.

Technical Note

The bill expands access to EPSDT services to children and youth regardless of Medicaid eligibility. However, EPSDT is a federal program, and under federal law, coverage is limited to individuals who qualify with Medicaid. To allow EPSDT services to be available statewide, the fiscal note assumes BHA would develop a similar program that offers the same services but is instead funded by the General Fund.

The bill also requires HCPF to set standard rate and utilization floors for all services across all managed care entities by July 1, 2025. The fiscal note does not include impacts for this as the department does not currently pay any set rate for care coordination. The RAEs pay for care coordination services from their per member per month allocation. If HCPF was to set rates for care coordination services, it would represent a major change in the current decentralized RAE-based model and drive significant fiscal impacts. If this is the intent of the bill, more information is needed to understand the scope of the model change that is envisioned for a cost estimate to be made.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2024-25, the bill requires total appropriations of \$3,806,592 to multiple state agencies, including:

- \$3,138,814 from the General Fund to the Behavioral Health Administration, and 13.0 FTE, of which \$230,436 and an additional 1.0 FTE is reappropriated to the Department of Law; and
- \$369,494 to the Department of Health Care Policy and Financing, split evenly between the General Fund and federal funds, and 1.7 FTE.

State and Local Government Contacts

Behavioral Health Administration
Human Services
Law
Regulatory Agencies

Health Care Policy and Financing
Information Technology
Public Health and Environment