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Fiscal Note

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Prime Sponsors:

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Fiscal Analyst: Kristine McLaughlin | 303-866-4776
kristine.mclaughlin@coleg.gov

Bill Topic: HIGH-ACUITY CRISIS FOR CHILDREN & YOUTH

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

The bill expands programs for youths who are in, or are at risk of being placed in, out-of-home care. The bill increases state expenditures on an ongoing basis and may increase local government workload.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of \$27.6 million to multiple state agencies.

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

Table 1
State Fiscal Impacts Under Bill 5

Table with 4 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 creates and expands programs for youth who are in, or are at risk of being placed in, out-of-home care, as described below.

System of care. First, the bill directs the Department of Health Care Policy and Financing (HCPF) and the Behavioral Health Administration (BHA) to create a system of care for the youth populations that they deem appropriate, including youth covered by Medicaid.

At a minimum, the system must:

- make use of a tool that assesses treatment needs;
- provide intensive care coordination;
- expand access to treatment foster care (an alternative to residential treatment facilities), including by increasing access under the state Medicaid program; and
- expand access to supportive services under the Children’s Habilitation Residential Program Waiver (CHRP - described below in more detail).

The BHA must promulgate rules for implementation by October 1, 2024. HCPF may promulgate rules and must implement the expanded access to treatment foster care under Medicaid by January 1, 2025.

CHRP Waiver. The bill requires HCPF to apply for federal approval to update the eligibility requirements for the Children’s Habilitation Residential Program Waiver (CHRP), a program for youth who are at risk of out-of-home placement. Currently, the program is limited to youth with developmental disabilities. By January 1, 2025, HCPF must apply for the program to include youth with serious emotional disturbances.

Psychiatric residential treatment facilities. HCPF must evaluate its reimbursement rate for psychiatric residential treatment facilities using an actuarial analysis from a third-party vendor.

Residential child care provider training academy. CDHS must help staff, monitor, and improve residential child care facilities by:

- creating an academy to train residential child care providers;
- developing minimum standards and a monitoring system;
- developing an incentive system to improve performance; and
- reporting required information outlined in the bill.

Emergency Residential Treatment Program. Finally, the bill continues and expands the Emergency Residential Treatment Program, created as a response to the COVID-19 pandemic, subject to available appropriations. The program is expanded by:

- increasing the number of beds available;
- increasing the reimbursement rates;

- reimbursing for the cost of room and board for any child eligible for Medicaid but not in the custody of a county;
- creating a pilot program within the program for non-detained, justice-involved youth;
- contracting with additional providers; and
- increasing reporting requirements.

Assumptions

In estimating costs, the fiscal note makes several assumptions about the intended implementation of the bill. First, it is assumed that HCPF will require state authority and funding for the expansion in order to receive federal approval to update the eligibility requirements for CHRP. Second, regarding the requirement that CDHS make publicly available a directory of each residential child care provider’s quality assurance, it is assumed that the CDHS need only list the providers that are subject to their quality assurance system.

State Expenditures

The bill increases state expenditures the Department of Health Care Policy and Financing by \$27.8 million in FY 2024-25, \$34.4 million in FY 2025-26, and \$38.7 million in FY 2026-27 within HCPF, CDHS, and the BHA, paid from the General Fund, cash funds, and federal funds. Expenditures, including fund sources, are shown in Table 2 and detailed below.

Table 2
Expenditures Under Bill 5

	FY 2024-25	FY 2025-26	FY 2026-27
Department of Health Care Policy and Financing			
Personal Services	\$102,349	\$113,721	\$113,721
Operating Expenses	\$1,152	\$1,280	\$1,280
Capital Outlay Costs	\$6,670	-	-
System of Care	\$4,300,000	\$8,600,000	\$12,900,000
CHRP Expansion	\$2,406,516	\$3,208,687	\$3,208,687
Rate Evaluation	\$202,500	-	-
Centrally Appropriated Costs ¹	\$20,710	\$23,011	\$23,011
FTE – Personal Services	0.9 FTE	1.0 FTE	1.0 FTE
HCPF Subtotal	<u>\$7,039,896</u>	<u>\$11,946,699</u>	<u>\$16,246,699</u>
<i>General Fund</i>	\$3,509,593	\$5,961,844	\$8,111,844
<i>Federal Funds</i>	\$3,509,593	\$5,961,844	\$8,111,844
<i>Centrally Appropriated</i>	\$20,710	\$23,011	\$23,011

Table 2
Expenditures Under Bill 5 (Cont.)

	FY 2024-25	FY 2025-26	FY 2026-27
Department of Human Services			
Personal Services	\$716,325	\$787,365	\$787,365
Operating Expenses	\$11,648	\$12,800	\$12,800
Capital Outlay Costs	\$66,700	-	-
Contractor costs	\$208,000	\$208,000	\$208,000
Emergency Residential Treatment Continuation	\$4,500,000	\$5,000,000	\$5,000,000
Emergency Residential Treatment Rate Increase	\$6,964,200	\$6,964,200	\$6,964,200
Justice involved youth program	\$770,000	\$770,000	\$770,000
Incentive Program	\$2,606,976	\$2,606,976	\$2,606,976
Centrally Appropriated Costs ¹	\$170,177	\$187,026	\$187,026
FTE – Personal Services	9.1 FTE	10.0 FTE	10.0 FTE
CDHS Subtotal	<u>\$16,014,026</u>	<u>\$16,536,367</u>	<u>\$16,536,367</u>
<i>General Fund</i>	\$12,745,936	\$13,250,714	\$13,250,714
<i>Cash Funds</i>	\$1,392,840	\$1,392,840	\$1,392,840
<i>Federal Funds</i>	\$1,705,074	\$1,705,787	\$1,705,787
<i>Centrally Appropriated</i>	\$170,177	\$187,026	\$187,026
Behavioral Health Administration			
Room and Board for Medicaid Eligible Youth	\$4,768,854	\$5,929,104	\$5,929,104
BHA Subtotal	<u>\$4,768,854</u>	<u>\$5,929,104</u>	<u>\$5,929,104</u>
<i>General Fund</i>	-	\$1,418,437	\$5,929,104
<i>Federal Funds</i>	\$4,768,854	\$4,510,667	-
Total	<u>\$27,822,776</u>	<u>\$34,412,170</u>	<u>\$38,712,170</u>
Total FTE	10.0 FTE	11.0 FTE	11.0 FTE

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

Department of Health Care Policy and Financing. Starting in FY 2024-25, expenditures in HCPF will increase to develop a system of care for select populations, expand the CHPR program, and hire a contractor to perform a rate analysis.

- **System of care.** The bill requires HCPF to develop a system of care for the identified youth populations, including assessments and intensive care coordination services. Given the current number of Medicaid youth utilizing intensive behavioral health services, it is assumed that this new program will ultimately serve 3,000 youths after a three year ramp up. It is assumed all youths will require biannual assessments and 10% will require intensive care coordination.
- **Staff.** 1.0 FTE will be responsible for overseeing this new program, coordinating with the BHA to assess which populations will be eligible, and meeting all reporting requirements on an ongoing basis. Costs assume an August 2024 start date and include standard operating and capital costs.
- **CHRP expansion.** 244 members are currently enrolled in CHRP. Expanding eligibility as required by the bill is expected to increase enrollment by 15% in the first year and an additional 5% in following year.
- **Rate evaluation.** Based on a previous contract for rate evaluation, the cost to evaluate the reimbursement rate for psychiatric residential treatment facilities is estimated at \$202,500 in FY 2024-25.

Department of Human Services. Starting in FY 2024-25, expenditures in the CDHS will increase to expand the residential treatment program for youth at risk of out-of-home placement.

- **Staff.** CDHS requires 10 FTE staff starting in FY 2024-25. First, the department requires 4.0 FTE to operate the academy, assuming that it will operate as a series of online recorded videos that providers may watch at their own pace. This includes 2.0 FTE to manage the curriculum and 2.0 FTE to manage the administrative duties of the academy. The CDHS will also require 6.0 FTE to develop and implement minimum standards and monitoring system for residential child care providers. CDHS currently monitors providers for basic quality assurance with a staff of 4.0 FTE. The new staff will provide clinical oversight ensuring individual cases are receiving necessary support.
- **Contractor Costs.** In addition to the staff listed above, CDHS will contract with a psychiatrist, the equivalent of 0.5 FTE, to assist in providing clinical oversight of residential child care providers.

- **Emergency residential treatment continuation.** The Emergency Residential Treatment Program is currently funded with \$5 million of ARPA funds, set to expire in July 2024, with \$0.5 million in funds available in FY 2024-25 from unspent money in the prior fiscal year. In order for the program to continue at current levels the ARPA funding must be replaced with an appropriation from the General Fund. This appropriation can either happen through this fiscal note, as currently shown, or be appropriated through the budget process.
- **Emergency residential treatment rate increase.** The Emergency Residential Treatment Program currently pays residential facilities \$319 per bed per day. The fiscal note assumes the new rate under the bill will match the rate paid under CHRP at \$425.
- **Justice-Involved Youth Program.** The CDHS currently pays \$770,000 to Savio and Shilo House to operate a program that provides residential services for youths involved in the juvenile justice system. This funding is set to expire June 30, 2024. The fiscal note assumed that these costs will continue at current levels under the bill, paid from the General Fund.
- **Incentive program.** The CDHS currently pays an additional \$223 per bed per day to facilities to treat high-need children. It is estimated that an additional 32 beds will be dedicated to high-need children in order to meet demand.

Behavioral Health Administration. The bill requires the BHA to pay for mental health residential room and board for Medicaid-eligible youth. It is estimated that an additional 42 beds are needed to meet this demand (10 of which need only be available 20 days out of the month). These beds are subject to the rate increase discussed above. Given current federal authorization, these beds will be entirely federally funded in FY 2024-25, partially federally funded in FY 2025-26, and entirely funded by the General Fund in FY 2026-27 and ongoing.

Judicial Department. Additional placement options and assessments for youth in the child welfare system may increase workload for the trial courts in the Judicial Department to consider this information and make decisions in dependency and neglect cases. Overall, it is assumed that this impact is minimal and can be accomplished within existing resources.

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 shown in Table 2.

Local Government

The increased number of assessments for youth at risk of out of home placement may result in additional child welfare hearings and an increased workload for county departments of human services. At the same time, additional state-level resources for treatment and youth placement may decrease costs for counties paid from the child welfare block grant funding and free up funding for other uses.

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 appropriations totaling \$27,631,889, as follows:

- \$7,019,186 and 0.9 FTE to the Department of Health Care Policy and Financing, split evenly between General Fund and federal funds;
- \$15,843,850 and 9.1 FTE to the Department of Human Services, including:
 - \$12,745,936 from the General Fund;
 - \$1,392,840 from the Child Welfare Services Cash Find; and
 - \$1,705,074 from federal funds; and
- \$4,768,854 to the Behavioral Health Administration, all from federal funds.

State and Local Government Contacts

Behavioral Health Administration
Health Care Policy and Financing

Judicial
Human Services

Education
School Districts