

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2015-16
STAFF FIGURE SETTING RECOMMENDATIONS**

**COMMON POLICY FOR
COMMUNITY PROVIDER RATES**

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

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COMMON POLICY FOR COMMUNITY PROVIDER RATES

FY 2015-16 STAFF FIGURE SETTING RECOMMENDATIONS

Overview

The Joint Budget Committee (JBC) typically sets a common policy for community provider rates to ensure consistent and equitable treatment. The community provider rate common policy applies to an historic set of services that might otherwise be delivered by state FTE in the following departments: Corrections, Human Services, Health Care Policy and Financing, and Public Safety. From time to time the JBC adds or subtracts from the set of entities that qualify for the community provider rate common policy on a case by case basis.

The common policy sets a baseline assumption, but the JBC staff still analyzes the suitability of each rate. The JBC staff may recommend modifications from the common policy if there are issues with a particular rate that make it significantly different from other rates and worthy of special consideration.

DEPARTMENT REQUEST AND RECOMMENDATION SUMMARY

Executive Request

For FY 2015-16 the Governor proposes a 1.0 percent community provider rate increase. For the Department of Health Care Policy and Financing (HCPF), and only for this department, the Governor proposes that the first 0.5 percent (\$16.5 M total funds and \$5.7 M General Fund) be distributed across-the-board and the remaining 0.5 percent be targeted for high priority services to be identified by HCPF in a separate submission by February 15, 2015. HCPF requests a hearing with the JBC in February specifically to address the targeted rate increases. The table on the next two pages shows the Governor's request by line item. Note that for some line items only a portion of the total expenditures are for provider rates eligible for the common policy.

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Governor's Request for Community Provider Rate Increase					
	TOTAL	GF	CF	RF	FF
CORRECTIONS					
Management					
Payments to local jails	\$121,801	\$121,801	\$0	\$0	\$0
Payments to in-state private prisons	622,316	622,316	0	0	0
Payments to pre-release parole revocation facilities	111,481	111,481	0	0	0
Community Corrections Programs	<u>41,417</u>	<u>41,417</u>	<u>0</u>	<u>0</u>	<u>0</u>
	897,015	897,015	0	0	0
Institutions					
Personal Services	38,468	38,468	0	0	0
Personal Services	8,325	8,325	0	0	0
Medical Contract Services	39,675	39,675	0	0	0
Service Contracts	<u>24,485</u>	<u>24,485</u>	<u>0</u>	<u>0</u>	<u>0</u>
	110,953	110,953	0	0	0
Inmate Programs					
Contract Services	20,411	20,411	0	0	0
Community Services					
Community Mental Health Services	6,294	6,294	0	0	0
Contract Services	0	0	0	0	0
Contract Services	50,243	50,243	0	0	0
Wrap-Around Services Program	15,392	15,392	0	0	0
Contract Services	<u>28,633</u>	<u>28,633</u>	<u>0</u>	<u>0</u>	<u>0</u>
	100,562	100,562	0	0	0
Corrections - Total	\$1,128,941	\$1,128,941	\$0	\$0	\$0
HEALTH CARE POLICY AND FINANCING					
Medical Services Premiums					
Medical and Long-Term Care Services for Medicaid Eligible					
Individuals	27,930,208	9,043,105	379,818	0	18,507,285
Behavioral Health Community Programs					
Behavioral Health Fee-for-service Payments	75,092	22,603	666	0	51,823
Office of Community Living					
Adult Comprehensive Services	3,520,301	1,542,710	336,283	0	1,641,308
Adult Supported Living Services	747,779	406,276	0	0	341,503
Children's Extensive Support Services	246,655	120,599	0	0	126,056
Case Management	290,956	154,300	0	0	136,656
Family Support Services	68,439	68,439	0	0	0
Preventive Dental Hygiene	642	606	36	0	0
Eligibility Determination and Waiting List Management	<u>30,689</u>	<u>30,486</u>	<u>0</u>	<u>0</u>	<u>203</u>
	4,905,461	2,323,416	336,319	0	2,245,726
<i>Subtotal</i>	<i>32,910,761</i>	<i>11,389,124</i>	<i>716,803</i>	<i>0</i>	<i>20,804,834</i>
Department of Human Services Medicaid-Funded Programs					
Division of Youth Corrections - Medicaid Funding	15,060	7,530	0	0	7,530
Division of Community and Family Support, Early Intervention Services	49,147	23,827	0	0	25,320
Child Welfare Services	149,436	74,718	0	0	74,718
Mental Health Treatment Services for Youth (H.B. 99-1116)	1,216	596	0	0	620
High Risk Pregnant Women Program	<u>14,649</u>	<u>7,176</u>	<u>0</u>	<u>0</u>	<u>7,473</u>
	229,508	113,847	0	0	115,661
Health Care Policy and Financing - Total	\$33,140,269	\$11,502,971	\$716,803	\$0	\$20,920,495
HUMAN SERVICES					
Executive Director's Office					
Child Protection Ombudsman Program	5,043	5,043	0	0	0
Colorado Commission for the Deaf and Hard of Hearing	<u>5,688</u>	<u>1,183</u>	<u>0</u>	<u>4,505</u>	<u>0</u>
	10,731	6,226	0	4,505	0
County Administration					
County Administration	554,418	193,381	102,625	0	258,412

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Governor's Request for Community Provider Rate Increase					
	TOTAL	GF	CF	RF	FF
Division of Child Welfare					
Child Welfare Services	3,478,613	1,773,611	668,640	149,436	886,926
Family and Children's Programs	<u>531,004</u>	<u>444,779</u>	<u>55,516</u>	<u>0</u>	<u>30,709</u>
	4,009,617	2,218,390	724,156	149,436	917,635
Office of Early Childhood					
Child Care Licensing and Administration	21,087	0	0	0	21,087
Early Childhood Mental Health Services	11,965	11,965	0	0	0
Child Care Assistance Program	773,333	139,494	95,993	0	537,846
Early Intervention Services	225,721	131,128	35,045	0	59,548
Early Intervention Services Case Management	<u>74,891</u>	<u>25,744</u>	<u>0</u>	<u>49,147</u>	<u>0</u>
	1,106,997	308,331	131,038	49,147	618,481
Behavioral Health Services					
<u>Mental Health Community Programs</u>					
Services for Indigent Mentally Ill Clients	305,206	305,206	0	0	0
Medications for Indigent Mentally Ill Clients	15,285	15,285	0	0	0
Assertive Community Treatment Programs	13,492	6,746	6,746	0	0
Alternatives to Inpatient Hospitalization at Mental Health Institute	32,817	32,817	0	0	0
Mental Health Treatment Services for Youth (H.B. 99-1116)	7,659	6,443	0	1,216	0
<u>Substance Use Treatment and Prevention</u>					
Treatment and Detoxification Contracts	118,535	118,535	0	0	0
Case Management for Chronic Detoxification Clients	25	25	0	0	0
Short-term Intensive Residential Remediation and Treatment	30,939	30,939	0	0	0
High Risk Pregnant Women Program	14,649	0	0	14,649	0
Prevention Contracts	345	345	0	0	0
Balance of Substance Abuse Block Grant Programs	1,944	1,944	0	0	0
<u>Integrated Behavioral Health Services</u>					
Crisis Response System - Walk-in, Stabilization, Mobile, Residential, and Respite Services	225,687	225,687	0	0	0
Crisis Response System - Telephone Hotline	23,559	23,559	0	0	0
Community Transition Services	91,106	91,106	0	0	0
Rural Co-occurring Disorder Services	5,125	5,125	0	0	0
<u>Mental Health Institutes</u>					
Mental Health Institute - Ft. Logan, Personal Services	1,228	1,228	0	0	0
Mental Health Institute - Pueblo, Personal Services	2,456	2,456	0	0	0
Jail-based Competency Restoration Program	<u>24,394</u>	<u>24,394</u>	<u>0</u>	<u>0</u>	<u>0</u>
	914,451	891,840	6,746	15,865	0
Services for People with Disabilities					
Independent Living Centers and State Independent Living Council	31,104	31,104	0	0	0
Division of Youth Corrections					
Personal Services	16,012	16,012	0	0	0
Medical Services	40,773	40,773	0	0	0
Purchase of Contract Placements	289,769	268,983	0	14,716	6,070
Educational Programs	44,870	44,870	0	0	0
Managed Care Pilot Project	14,304	13,960	0	344	0
S.B. 91-94 Programs	125,790	125,790	0	0	0
Parole Program Services	<u>48,067</u>	<u>38,790</u>	<u>0</u>	<u>0</u>	<u>9,277</u>
	579,585	549,178	0	15,060	15,347
Human Services - Total	\$7,206,903	\$4,198,450	\$964,565	\$234,013	\$1,809,875
PUBLIC SAFETY					
Division of Criminal Justice					
Community Corrections Placements	603,477	603,477	0	0	0
Community Corrections Facility Payments	32,322	32,322	0	0	0
Community Corrections Boards Administration	22,889	22,889	0	0	0
Specialized Offender Services	564	564	0	0	0
Public Safety - Total	\$659,252	\$659,252	\$0	\$0	\$0
TOTAL	\$42,135,365	\$17,489,614	\$1,681,368	\$234,013	\$22,730,370

Staff Recommendation

Staff recommends a 2.7 percent across-the-board community provider rate increase. This does not include a set aside for targeted rate increases for providers financed by the Department of Health Care Policy and Financing. The staff recommendation is to use the same across-the-board increase for all community providers and then consider potential targeted rate increases as a separate issue in addition to the common policy during figure setting for HCPF.

Based on the request, staff estimates that each 0.5 percent change in community provider rates costs approximately \$8.7 million General Fund. The staff recommended community provider rate increase would cost \$47.2 million General Fund, which is \$29.7 million General Fund more than the Governor's request.

The Governor's request sets aside a portion of the community provider rate common policy increase for HCPF for targeted rate increases, but the staff recommendation is that targeted rate increases be considered as an addition to the community provider rate common policy. The JBC staff is not making a recommendation on the targeted rate increases at this time, because the detail describing the specific targeted rate increases has not yet been provided. If the JBC decides during figure setting to add the targeted rate increases for HCPF on top of the community provider rate common policy, then that would cost another \$5.7 million General Fund, based on the Governor's November request. In this event the total General Fund increase over the Governor's request for community provider rates would be \$35.4 million, rather than \$29.7 million.

The staff recommended increase is based on the Legislative Council Staff (LCS) projection of the calendar year (CY) 2014 consumer price index (CPI). Staff also considered using the Employment Cost Index (ECI) or the Health Care CPI as the basis for the recommendation. The ECI might be a good barometer for the community provider rate common policy because the majority of costs for the eligible providers are for employee compensation. However, not all costs of eligible providers are related to compensation. They also include operating expenses such as rent, utilities, office supplies and equipment, and insurance. The Health Care CPI might be a good indicator because 66 percent of the eligible providers are funded for medical and long-term care services from the Medical Services Premiums line item, and for many of the remaining providers medical and long-term care services are a significant component of what they offer (e.g. residential child care facilities). However, this might not be the most appropriate index for non-medical providers such as those serving the Department of Corrections. Staff ultimately decided that the CPI is a better known and understood measure, a Denver/Boulder forecast is available (rather than a national forecast), and the JBC has used the CPI in the past, establishing a precedent for this measure.

Although forecast figures are available for the CPI for calendar years 2015 and 2016 and fiscal year 2015-16, the JBC has typically used the prior calendar year inflation as a guide for common policies, rather than a projection of what might happen in the future. The majority of the data for CY 2014 has been collected and reported and so the LCS estimate of the Denver/Boulder CPI should be very close to the final actual.

The table on the next page shows the estimated base eligible for the community provider rate common policy and the General Fund cost of the staff recommended 2.7 percent increase. In addition to the staff recommendation the table presents a number of different possible scenarios. The label for the scenario in the last column might be confusing. This is NOT the JBC staff recommendation for a community provider rate increase. Rather, this is a scenario where the community provider rate increase would be indexed to the JBC staff recommended increase for state employee total compensation.¹ The JBC staff recommended increase for community provider rates is contained in the column with the dashed border and labeled "CPI Denver/Boulder CY 2014 2.7%".

The figures in the table are estimates based on the Governor's request. Each JBC analyst will examine the base used in the Governor's request and independently calculate the application of the JBC's common policy, which may result in some variation from these figures. The actual cost of the JBC's common policy may also vary based on compounding with other JBC actions.

¹ This is the total recommended change from the estimated base expenditures for salary survey, merit pay, shift differential, PERA contributions, health life dental, Medicare taxes, and short-term disability. It does not include expenditures for the amortization equalization distribution or supplemental amortization equalization distribution. The recommended changes for salaries, not including benefits, are 1 percent for salary survey and 1 percent for merit pay, or a total of 2 percent. See the JBC staff briefing on total compensation dated January 14, 2015 for more detail.

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General Fund Impact Scenarios									
Program	Estimated Base Eligible for Common Policy		Governor's Request			ECI National	CPI Health National	CPI Denver/Boulder	JBC staff rec. for State Employee
	Total	GF	0.5%	1.0%	1.5%	CY 2014	CY 2014	CY 2014	Total Compensation
						2.1%	2.4%	2.7%	3.5%
Health Care Policy and Financing									
Medical Service Premiums	\$2,793,020,800	\$904,310,500	\$4,521,553	\$9,043,105	\$13,564,658	\$18,990,521	\$21,703,452	\$24,416,384	\$31,650,868
Behavioral Health	7,509,200	2,260,300	11,302	22,603	33,905	47,466	54,247	61,028	79,111
Office of Community Living	490,546,100	232,341,600	1,161,708	2,323,416	3,485,124	4,879,174	5,576,198	6,273,223	8,131,956
Human Services	<u>22,950,800</u>	<u>11,384,700</u>	<u>56,924</u>	<u>113,847</u>	<u>170,771</u>	<u>239,079</u>	<u>273,233</u>	<u>307,387</u>	<u>398,465</u>
Subtotal - HCPF	3,314,026,900	1,150,297,100	5,751,486	11,502,971	17,254,457	24,156,239	27,607,130	31,058,022	40,260,399
Human Services									
Child Welfare and Youth Corrections	458,920,200	276,756,800	1,383,784	2,767,568	4,151,352	5,811,893	6,642,163	7,472,434	9,686,488
Child Care	110,699,700	30,833,100	154,166	308,331	462,497	647,495	739,994	832,494	1,079,159
Behavioral Health	91,445,100	89,184,000	445,920	891,840	1,337,760	1,872,864	2,140,416	2,407,968	3,121,440
County Administration	55,441,800	19,338,100	96,691	193,381	290,072	406,100	464,114	522,129	676,834
Other	<u>4,183,500</u>	<u>3,733,000</u>	<u>18,665</u>	<u>37,330</u>	<u>55,995</u>	<u>78,393</u>	<u>89,592</u>	<u>100,791</u>	<u>130,655</u>
Subtotal - Human Services	720,690,300	419,845,000	2,099,225	4,198,450	6,297,675	8,816,745	10,076,280	11,335,815	14,694,575
Corrections									
Placements prisons/jails/half-way houses	89,701,500	89,701,500	448,508	897,015	1,345,523	1,883,732	2,152,836	2,421,941	3,139,553
Medical & behavioral health services for inmates and parolees	23,192,600	23,192,600	115,963	231,926	347,889	487,045	556,622	626,200	811,741
Subtotal - Corrections	112,894,100	112,894,100	564,471	1,128,941	1,693,412	2,370,776	2,709,458	3,048,141	3,951,294
Public Safety									
Community Corrections Programs	<u>65,925,200</u>	<u>65,925,200</u>	<u>329,626</u>	<u>659,252</u>	<u>988,878</u>	<u>1,384,429</u>	<u>1,582,205</u>	<u>1,779,980</u>	<u>2,307,382</u>
Subtotal - Public Safety	65,925,200	65,925,200	329,626	659,252	988,878	1,384,429	1,582,205	1,779,980	2,307,382
TOTAL	\$4,213,536,500	\$1,748,961,400	\$8,744,807	\$17,489,614	\$26,234,421	\$36,728,189	\$41,975,074	\$47,221,958	\$61,213,649
Above/(Below) Governor's Request			(\$8,744,807)	\$0	\$8,744,807	\$19,238,575	\$24,485,460	\$29,732,344	\$43,724,035

History of the Community Provider Rate Increase

Through FY 1997-98, the Committee provided community providers with cost of living increases based on statewide salary survey increases for personal services and state inflationary increases for operating expenses. This often led to increases of over five percent per year, since community provider personal services constitute over 60 percent of most community providers' budgets and often more than this. This approach was also cumbersome and difficult to apply accurately. Therefore, based on a staff recommendation for FY 1998-99, the Committee moved to a standard percentage increase for community providers that was applied to the entire community provider base. The first year the rate was applied, community providers received an increase at approximately the projected rate of inflation (although actual inflation was ultimately lower). Since that time, rate increases have typically fallen below the actual rate of inflation in the prior calendar year, although there have been some exceptions.

Year	Community Provider Increase/Decrease		State Department Increase/Decrease (base building)*		Denver-Boulder CPI prior calendar year
FY 94-95	Personal Services	4.5%	Personal Services	4.5%	CY 93
	Food inflation	1.8 %	Food inflation	3.6%	4.2%
	Medical inflation	3.3 %	Medical inflation	10.2%	
FY 95-96	Personal Services	6.0%	Personal Services	4.0%	CY 94
	Food inflation	4.2%	Food inflation	4.2%	4.4%
	Medical inflation	4.8%	Medical inflation	9.6%	
FY 96-97	Personal Services	5.0%	Personal Services	4.3%	CY 95
	Food inflation	2.2%	Food inflation	1.0%	4.3%
	Medical inflation	4.2%	Medical inflation	4.2%	
	Other operating	(1.0%)	Other operating	(1.0%)	
FY 97-98	Personal Services	5.0%	Personal Services	3.9%	CY 96
	Food inflation	1.7%	Food inflation	1.7%	3.5%
	Medical inflation	3.7%	Medical inflation	3.7%	
FY 98-99	Total base increase	3.0%	Personal Services	6.2%	CY 97
			Food inflation	1.6%	3.3%
			Medical inflation	3.3%	
FY 99-00	Total base increase	2.0%	Personal Services	5.6%	CY 98
			Food inflation	2.1%	2.4%
			Medical inflation	3.2%	
			Other operating	(1.0%)	
FY 00-01	Total base increase	2.0%	Personal Services	6.0%	CY 99
			Food inflation	0.0%	2.9%
			Medical inflation	0.0%	
FY 01-02	Total base increase	2.5%	Personal Services	7.4%	CY 00
			Food inflation	2.8%	4.0%
			Medical inflation	5.8%	
FY 02-03	Total base increase	0.0%	Personal Services	6.2%	CY 01
			Food inflation	0.0%	4.7%
			Medical inflation	0.0%	
FY 03-04	Total base increase	0.0%	Personal Services	0.0%	CY 02
			Food inflation	0.0%	1.9%
			Medical inflation	0.0%	

Year	Community Provider Increase/Decrease	State Department Increase/Decrease (base building)*	Denver-Boulder CPI prior calendar year
FY 04-05	Total base increase 0.0%	Personal Services 3.3% Food inflation 0.0% Medical inflation 0.0%	CY 03 1.1%
FY 05-06	Total base increase 2.0%	Personal Services 3.0% Food inflation 2.9% Medical inflation 2.5%	CY 04 0.1%
FY 06-07	Total base increase 3.25%	Personal Services 2.6% Food inflation 2.1% Medical inflation 2.0%	CY 05 2.1%
FY 07-08	Total base increase 1.5%	Personal Services 4.75% Food inflation 1.8% Medical inflation 2.0%	CY 06 3.6%
FY 08-09	Total base increase 1.5%	Personal Services 4.28% Food inflation 0.0% Medical inflation 0.0%	CY 07 2.2%
FY 2009-10	Total base decrease Various	Personal Services** 0.0% Food inflation 0.0% Medical inflation 0.0%	CY 08 3.9%
FY 2010-11	Total base decrease Various	Personal Services** 0.0% Food inflation 0.0% Medical inflation 0.0%	CY 09 (0.6%)
FY 2011-12	Total base change 0.0%	Personal Services** 0.0% Food inflation 0.0% Medical inflation 0.0%	CY 10 1.9%
FY 2012-13	Total base change 0.0%	Personal Services** 0.0% Food inflation 0.0% Medical inflation 0.0%	CY 11 3.7%
FY 2013-14	Total base change 2.0%	Personal Services 3.5% Food inflation 0.0% Medical inflation 0.0%	CY 12 1.9%
FY 2014-15	Total base change 2.5% 2.0% for HCPF providers plus targeted rate increases	Personal Services 3.5% Food inflation 0.0% Medical inflation 0.0%	CY 13 2.8%

*State personal services increases have historically been based on the average salary survey increase for the given year plus the average of 2.2 percent through FY 2001-02 for anniversary increases. Beginning in FY 2002-03, the State shifted to a performance based pay approach (PBP). Figures shown from FY 2002-03 forward include both salary survey and PBP. These figures are for salaries and wages and do not include benefits such as health, life, and dental insurance.

**Temporary reductions to state employee compensation and personal services appropriations were taken in FY 2009-10, FY 2010-11, and FY 2011-12 as follows:

FY 2009-10 overall reduction of 1.82 percent to General-funded personal services line items, redistributed and taken through furloughs and vacancy savings. Reduction was one-time and not base-building.

FY 2010-11 overall reduction of 2.9 percent, based on a requirement that staff to contribute an additional 2.5 percent share of retirement (PERA) contributions and a reduction to selected General-funded personal service line items. Reductions were one-time and not base-building.

FY 2011-12 - increased employee PERA contribution of 2.5 percent was continued in FY 2011-12, but eliminated for FY 2012-13.