

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2014-15
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 2014-15 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 2014-15 the Governor proposes a 1.5 percent community provider rate increase. For the Department of Health Care Policy and Financing, and only for this department, the Governor proposes that the first 1.0 percent be distributed across-the-board and the remaining 0.5 percent be targeted for high priority services to be identified by the Department. The table below 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.

Governor's Request for Community Provider Rate Increase					
	TOTAL	GF	CF	RF	FF
CORRECTIONS					
Management					
Payments to local jails	\$157,872	\$157,872	\$0	\$0	\$0
Payments to in-state private prisons	873,627	873,627	0	0	0
Payments to pre-release parole revocation facilities	150,607	150,607	0	0	0
Community Corrections Programs	<u>54,266</u>	<u>54,266</u>	<u>0</u>	<u>0</u>	<u>0</u>
	1,236,372	1,236,372	0	0	0
Corrections - Total	\$1,236,372	\$1,236,372	\$0	\$0	\$0

Governor's Request for Community Provider Rate Increase					
	TOTAL	GF	CF	RF	FF
HEALTH CARE POLICY AND FINANCING					
Medical Services Premiums					
Medical and Long-Term Care Services for Medicaid Eligible Individuals	49,892,416	16,686,301	506,497	0	32,699,618
Behavioral Health Community Programs					
Mental Health Fee for Service Payments	91,878	45,939	0	0	45,939
Office of Community Living					
Adult Comprehensive Services	5,131,765	2,334,892	461,981	0	2,334,892
Adult Supported Living Services	859,627	489,219	0	0	370,408
Children's Extensive Support Services	281,778	140,889	0	0	140,889
Case Management	438,457	236,468	0	0	201,989
Family Support Services	99,932	99,932	0	0	0
Preventive Dental Hygiene	964	909	55	0	0
Eligibility Determination and Waiting List Management	<u>44,811</u>	<u>44,521</u>	<u>0</u>	<u>0</u>	<u>290</u>
	6,857,334	3,346,830	462,036	0	3,048,468
Department of Human Services Medicaid-Funded Programs					
Division of Youth Corrections - Medicaid Funding	19,796	9,898	0	0	9,898
Division of Community and Family Support, Early Intervention Services	411,849	205,924	0	0	205,925
Child Welfare Services	218,687	109,344	0	0	109,343
Residential Treatment for Youth (H.B. 99-1116)	1,779	889	0	0	890
Alcohol and Drug Abuse Division, High Risk Pregnant Women Program	<u>21,437</u>	<u>10,718</u>	<u>0</u>	<u>0</u>	<u>10,719</u>
	673,548	336,773	0	0	336,775
Health Care Policy and Financing - Total	\$57,515,176	\$20,415,843	\$968,533	\$0	\$36,130,800
HUMAN SERVICES					
Executive Director's Office					
Child Protection Ombudsman Program	5,550	5,550	0	0	0
Office of Children, Youth and Families					
Personal Services	12,600	12,600	0	0	0
Medical Services	46,395	46,395	0	0	0
Purchase of Contract Placements	441,451	411,556	0	19,296	10,599
Child Welfare Services	5,070,450	3,837,673	1,014,090	218,687	0
Educational Programs	45,770	45,770	0	0	0
Managed Care Pilot Project	20,931	20,431	0	500	0
S.B. 91-94 Programs	184,082	184,082	0	0	0
Parole Program Services	62,113	48,537	0	0	13,576
Family and Children's Programs	<u>777,079</u>	<u>621,663</u>	<u>155,416</u>	<u>0</u>	<u>0</u>
	6,660,871	5,228,707	1,169,506	238,483	24,175
Office of Early Childhood					
Child Care Licensing and Administration	27,844	0	0	0	27,844
Child Care Assistance Program	1,126,293	207,124	139,805	0	779,364
Early Childhood Mental Health Services	35,088	35,088	0	0	0
Early Intervention Services	228,531	228,531	0	0	0
Early Intervention Services Case Management	<u>478,619</u>	<u>66,770</u>	<u>0</u>	<u>411,849</u>	<u>0</u>
	1,896,375	537,513	139,805	411,849	807,208
Office of Economic Security					

Governor's Request for Community Provider Rate Increase					
	TOTAL	GF	CF	RF	FF
County Administration	769,524	287,906	153,905	0	327,713
Office of Behavioral Health					
Services for Indigent Mentally Ill Clients	446,643	446,643	0	0	0
Residential Treatment for Youth (H.B. 99-1116)	10,307	8,528	0	1,779	0
Treatment and Detoxification Contracts	173,466	173,466	0	0	0
Prevention Contracts	505	505	0	0	0
Medications for Indigent Mentally Ill Clients	22,368	22,368	0	0	0
Case Management for Chronic Detoxification Clients	37	37	0	0	0
Balance of Substance Abuse Block Grant Programs	2,845	2,845	0	0	0
Short-term Intensive Residential Remediation and Treatment (STIRRT)	45,276	45,276	0	0	0
Mental Health Institute - Ft. Logan Personal Services	1,797	1,797	0	0	0
Community Transition Services	133,325	133,325	0	0	0
Assertive Community Treatment Programs	19,744	9,872	9,872	0	0
High Risk Pregnant Women Program	21,437	0	0	21,437	0
Crisis Response System	339,274	339,274	0	0	0
Alternatives to Inpatient Hospitalization at a Mental Health Institute	48,025	48,025	0	0	0
Crisis Response System - Telephone Hotlines	34,476	34,476	0	0	0
Co-occurring Behavioral Health Services	7,500	7,500	0	0	0
Mental Health Institute - Pueblo Personal Services	3,594	3,594	0	0	0
Jail-based Restoration Program	<u>35,701</u>	<u>35,701</u>	<u>0</u>	<u>0</u>	<u>0</u>
	1,346,320	1,313,232	9,872	23,216	0
Human Services - Total	\$10,678,640	\$7,372,908	\$1,473,088	\$673,548	\$1,159,096
PUBLIC SAFETY					
Division of Criminal Justice					
Community Corrections Boards Administration	32,111	32,111	0	0	0
Community Corrections Placements	826,694	826,694	0	0	0
Specialized Offender Services	825	825	0	0	0
Public Safety - Total	\$859,630	\$859,630	\$0	\$0	\$0
TOTAL	\$70,289,818	\$29,884,753	\$2,441,621	\$673,548	\$37,289,896

Committees of Reference SMART Act Recommendations

There is no one committee of reference that oversees the community provider rate common policy, but rather several committees of reference that oversee programs that are impacted by the community provider rate common policy. The committees of reference with jurisdiction have not yet met with the JBC or submitted recommendations.

Staff Recommendation

Staff recommends a 2.9 percent across-the-board community provider rate increase. This does not include a set aside for targeted rate increases for providers in 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 the Department of Health Care Policy and Financing. Based on the request, staff estimates that each 0.5 percent change in community provider rates costs slightly less than \$10.0 million General Fund. The staff recommended community provider rate increase would cost \$57.8 million General Fund, which is \$27.9 million General Fund more than the Governor's request.

The staff recommended increase is based on the Legislative Council Staff (LCS) projection of the calendar year (CY) 2013 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. The Health Care CPI might be a good indicator because 56 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). 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 2014 and 2015 and fiscal year 2014-15, 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 2013 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 recommendation. For some programs in the Department of Human Services the available federal funds are capped, and so the General Fund cost of a community provider rate increase is slightly more than the increase in the total rate. After accounting for the capped federal funds, staff estimates that each 0.5 percent change in community provider rates costs an estimated \$10.0 million General Fund statewide. In addition to the staff recommendation the table presents a number of different possible scenarios, including a 1.0 percent increase, an increase based on the ECI, an increase based on the Health Care CPI, and the 5.0 percent increase scenario mentioned by Senator Aguilar during the hearing for the Department of Health Care Policy and Financing.

General Fund Impact Scenarios									
Program	Estimated Base Eligible for Common Policy				Governor's Request	ECI National CY 2013-BLS	CPI Health National CY 2013-BLS	CPI Denver/Boulder CY 2013-LCS	
	Total	GF	0.5%	1.0%	1.5%	2.3%	2.6%	2.9%	5.0%
Health Care Policy and Financing									
Medical Service Premiums	3,326,161,067	1,112,420,067	5,562,100	11,124,201	16,686,301	25,585,662	28,922,922	32,260,182	55,621,003
Behavioral Health	6,125,200	3,062,600	15,313	30,626	45,939	70,440	79,628	88,815	153,130
Office of Community Living	457,155,600	223,122,000	1,115,610	2,231,220	3,346,830	5,131,806	5,801,172	6,470,538	11,156,100
Human Services	<u>44,903,200</u>	<u>22,451,533</u>	<u>112,258</u>	<u>224,515</u>	<u>336,773</u>	<u>516,385</u>	<u>583,740</u>	<u>651,094</u>	<u>1,122,577</u>
Subtotal - HCPF	3,834,345,067	1,361,056,200	6,805,281	13,610,562	20,415,843	31,304,293	35,387,461	39,470,630	68,052,810
Human Services									
Child Welfare and Youth Corrections	444,428,042	267,793,296	1,744,752	3,489,505	5,234,257	8,025,861	9,072,712	10,119,563	17,447,523
Child Care	126,425,000	35,834,200	179,171	358,342	537,513	824,187	931,689	1,039,192	1,791,710
County Administration	51,301,577	18,050,210	95,969	191,937	287,906	441,456	499,037	556,618	959,686
Behavioral Health	<u>89,754,667</u>	<u>87,548,800</u>	<u>437,744</u>	<u>875,488</u>	<u>1,313,232</u>	<u>2,013,622</u>	<u>2,276,269</u>	<u>2,538,915</u>	<u>4,377,440</u>
Subtotal - Human Services	711,909,286	409,226,506	2,457,636	4,915,272	7,372,908	11,305,125	12,779,707	14,254,288	24,576,359
Corrections									
Payments to local jails	10,524,800	10,524,800	52,624	105,248	157,872	242,070	273,645	305,219	526,240
In-state private prisons	58,241,800	58,241,800	291,209	582,418	873,627	1,339,561	1,514,287	1,689,012	2,912,090
Pre-release parole revocation facilities	10,040,467	10,040,467	50,202	100,405	150,607	230,931	261,052	291,174	502,023
Community Corrections Programs	<u>3,617,733</u>	<u>3,617,733</u>	<u>18,089</u>	<u>36,177</u>	<u>54,266</u>	<u>83,208</u>	<u>94,061</u>	<u>104,914</u>	<u>180,887</u>
Subtotal - Corrections	82,424,800	82,424,800	412,124	824,248	1,236,372	1,895,770	2,143,045	2,390,319	4,121,240
Public Safety									
Community Corrections Programs	<u>57,308,667</u>	<u>57,308,667</u>	<u>286,543</u>	<u>573,087</u>	<u>859,630</u>	<u>1,318,099</u>	<u>1,490,025</u>	<u>1,661,951</u>	<u>2,865,433</u>
Subtotal - Public Safety	57,308,667	57,308,667	286,543	573,087	859,630	1,318,099	1,490,025	1,661,951	2,865,433
TOTAL	4,685,987,819	1,910,016,173	9,961,584	19,923,168	29,884,753	45,823,288	51,800,238	57,777,189	99,615,842

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 for prior calendar year
FY 94-95	Personal Services	4.5%	Personal Services	4.5%	CY 93 4.2%
	Food inflation	1.8 %	Food inflation	3.6%	
	Medical inflation	3.3 %	Medical inflation	10.2%	
FY 95-96	Personal Services	6.0%	Personal Services	4.0%	CY 94 4.4%
	Food inflation	4.2%	Food inflation	4.2%	
	Medical inflation	4.8%	Medical inflation	9.6%	
FY 96-97	Personal Services	5.0%	Personal Services	4.3%	CY 95 4.3%
	Food inflation	2.2%	Food inflation	1.0%	
	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 3.5%
	Food inflation	1.7%	Food inflation	1.7%	
	Medical inflation	3.7%	Medical inflation	3.7%	
FY 98-99	Total base increase	3.0%	Personal Services	6.2%	CY 97 3.3%
			Food inflation	1.6%	
			Medical inflation	3.3%	
FY 99-00	Total base increase	2.0%	Personal Services	5.6%	CY 98 2.4%
			Food inflation	2.1%	
			Medical inflation	3.2%	
			Other operating	(1.0%)	
FY 00-01	Total base increase	2.0%	Personal Services	6.0%	CY 99 2.9%
			Food inflation	0.0%	
			Medical inflation	0.0%	
FY 01-02	Total base increase	2.5%	Personal Services	7.4%	CY 00 4.0%
			Food inflation	2.8%	
			Medical inflation	5.8%	
FY 02-03	Total base increase	0.0%	Personal Services	6.2%	CY 01 4.7%
			Food inflation	0.0%	
			Medical inflation	0.0%	

Year	Community Provider Increase/Decrease	State Department Increase/Decrease (base building)*	Denver-Boulder CPI for prior calendar year
FY 03-04	Total base increase 0.0%	Personal Services 0.0% Food inflation 0.0% Medical inflation 0.0%	CY 02 1.9%
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%

*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.

**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.