

**COLORADO GENERAL ASSEMBLY  
JOINT BUDGET COMMITTEE**



**FY 2015-16 STAFF FIGURE SETTING**

**DEPARTMENT OF HEALTH CARE POLICY  
AND FINANCING**

**(Medicaid Behavioral Health Community Programs Only)**

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

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## **DEPARTMENT OF HEALTH CARE POLICY AND FINANCING**

### **Department Overview**

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The Department of Health Care Policy and Financing (HCPF) helps pay health and long-term care expenses for low-income and vulnerable populations. The largest program administered by HCPF is the Medicaid program, which serves people with low income and people needing long-term care. The Department also performs functions related to improving the health care delivery system. The Department's adjusted FY 2014-15 appropriation represents 32.4 percent of statewide operating appropriations and 26.1 percent of statewide General Fund appropriations.

This document concerns the behavioral health community programs administered by HCPF. Behavioral health services include both mental health and substance use disorder services. Most behavioral health services are provided to Medicaid-eligible clients through a statewide managed care or "capitated" program. The Department contracts with five regional entities, known as behavioral health organizations or BHOs, to provide or arrange for medically necessary behavioral health services for Medicaid-eligible clients. Each BHO receives a pre-determined monthly amount for each client who is eligible for Medicaid behavioral health services. In addition to funding for capitation payments to BHOs, separate appropriations cover: (1) fee-for-service payments for behavioral health services provided to Medicaid clients who are not enrolled in a BHO and for the provision of certain services that are not covered by the BHO contract; and (2) school-based prevention, early intervention, and health care services and programs to reduce the risk of marijuana and other substance use and abuse by school-aged children.

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## **DEPARTMENT REQUEST AND RECOMMENDATION SUMMARY**

### **Executive Request**

The Department requests a total of \$632.7 million for Medicaid behavioral health programs for FY 2015-16, including \$196.1 million General Fund. The request represents an increase of \$78.2 million (14.1 percent) compared to the existing FY 2014-15 appropriation. The requested increase includes \$64.1 million federal funds, \$13.3 million General Fund, and \$0.8 million cash funds. The Department's request is based on the caseload and expenditure forecast that was available when the budget was submitted last November; this forecast included data through June 2014.

### **Staff Recommendation**

The Department recently provided an updated caseload and expenditure forecast for both FY 2014-15 and FY 2015-16 that incorporates data through December 2014. Due to significant changes reflected in the February forecast, staff has included a recommendation to further adjust FY 2014-15 appropriations based on the February forecast and staff has recommended significantly higher appropriations than requested for FY 2015-16.

Specifically, staff recommends increasing the existing FY 2014-15 appropriation by a total of \$12.0 million (including a decrease of \$2.5 million General Fund). This second mid-year adjustment would be included as a separate section within the FY 2015-16 Long Bill.

For FY 2015-16, staff's recommendation is \$25.8 million higher than the request due to higher projected caseload and expenditures. The recommendation represents an increase of \$92.0 million (16.2 percent) compared to the adjusted FY 2014-15 appropriation. The recommended increase includes \$74.8 million federal funds, \$16.0 million General Fund, and \$1.2 million cash funds.

The overall staff recommendation for Medicaid behavioral health community programs is summarized in the following table, followed by a brief description of each incremental change.

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<b>Behavioral Health Community Programs</b>						
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>Federal Funds</b>	<b>FTE</b>
<b>FY 2014-15 Appropriation</b>						
HB 14-1336 (Long Bill)	\$550,715,017	\$172,504,409	\$4,489,831	\$0	\$373,720,777	0.0
Other 2014 legislation	6,443,646	3,950,000	44,755	0	2,448,891	0.0
SB 15-147 (Supplemental)	(1,558,444)	7,409,640	(345,277)	0	(8,622,807)	0.0
SB 15-167 (Marijuana revenue adjustments)	(1,081,344)	(1,081,344)	0	0	0	0.0
Long Bill Supplemental	<u>12,026,027</u>	<u>(2,469,097)</u>	<u>293,754</u>	<u>0</u>	<u>14,201,370</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$566,544,902</b>	<b>\$180,313,608</b>	<b>\$4,483,063</b>	<b>\$0</b>	<b>\$381,748,231</b>	<b>0.0</b>
<b>FY 2015-16 Recommended Appropriation</b>						
FY 2014-15 Appropriation	\$566,544,902	\$180,313,608	\$4,483,063	\$0	\$381,748,231	0.0
FMAP change	0	(1,898,565)	(2,731)	0	1,901,296	0.0
Annualize prior year budget decisions	<u>(5,261,344)</u>	<u>(2,853,723)</u>	<u>(22,653)</u>	<u>0</u>	<u>(2,384,968)</u>	<u>0.0</u>
Subtotal: Continuation base	561,283,558	175,561,320	4,457,679	0	381,264,559	0.0
R2 Behavioral health programs	92,715,806	18,692,358	1,251,435	0	72,772,013	0.0
R17 School-based early intervention and prevention	4,365,859	2,000,000	0	0	2,365,859	0.0
R12 Provider rates	223,283	73,076	2,363	0	147,844	0.0
<b>TOTAL</b>	<b>\$658,588,506</b>	<b>\$196,326,754</b>	<b>\$5,711,477</b>	<b>\$0</b>	<b>\$456,550,275</b>	<b>0.0</b>
<b>Increase/(Decrease)</b>	\$92,043,604	\$16,013,146	\$1,228,414	\$0	\$74,802,044	0.0
Percentage Change	16.2%	8.9%	27.4%	n/a	19.6%	n/a
<b>FY 2015-16 Executive Request:</b>	<b>\$632,754,887</b>	<b>\$196,149,762</b>	<b>\$4,986,872</b>	<b>\$0</b>	<b>\$431,618,253</b>	<b>0.0</b>
Request Above/(Below) Recommendation	(\$25,833,619)	(\$176,992)	(\$724,605)	\$0	(\$24,932,022)	0.0

**Description of Recommended Incremental Changes**

**Long Bill Supplemental:** The recommendation includes a \$12.0 million increase in existing FY 2014-15 appropriations (including a decrease of \$2.5 million General Fund) based on the Department's February 2015 caseload and expenditure forecast.

**FMAP change:** The recommendation reflects the impact of the scheduled change in the federal Medicaid assistance percentage (FMAP) on FY 2014-15 appropriations.

**Annualize prior year budget decisions:** The recommendation includes a reduction of \$5.3 million related to prior year legislation and budget decisions, including the following adjustments:

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- *S.B. 14-215 (Disposition of legal marijuana related revenue) – reduction of \$5,232,463.* The request eliminates appropriations related to marijuana tax revenues because S.B. 14-215 only authorized this funding for FY 2014-15. However, as described below for R17, the recommendation includes ongoing funding for BHOs' school-based prevention and intervention programs.
- *Contract reprourement funding – reduction of \$203,752.* The recommendation eliminates one-time funding that was provided to ensure that the transition to new behavioral health contracts did not negatively affect clients.
- *H.B. 14-1045 (Breast and cervical cancer prevention) – reduction of \$65,380.* The recommendation reflects the most recent behavioral health-related caseload and expenditure estimates for the Breast and Cervical Cancer Prevention and Treatment Program.
- *Initiative to remove five-year bar – increase of \$212,313.* The recommendation reflects the FY 2015-16 behavioral health-related impact of removing the five-year waiting period for legal immigrant children and pregnant women.
- *R8 IDD Increase funded FPE – increase of \$15,270.* The recommendation reflects the FY 2015-16 behavioral health-related impact of expanding the number of adults with intellectual and developmental disabilities eligible for home and community based services.
- *R11 Provider rate increase – increase of \$12,668.* The recommendation reflects the impact of the 2.5 percent rate increase approved for FY 2014-15 for providers that receive payments through the behavioral health fee-for-service program.

**R2 Behavioral health programs:** The recommendation includes an increase of \$92.7 million total funds (including \$18.7 million General Fund) for projected caseload and expenditure changes in both the capitation and fee-for-service Medicaid behavioral health programs. In addition, the recommendation reflects fund source changes associated with a scheduled change in the FMAP.

**R17 School-based early intervention and prevention:** The recommendation includes \$4.4 million (including \$2.0 million General Fund and \$2.4 million federal Medicaid funds) to continue providing funding to BHOs for school-based substance abuse prevention and intervention programs as authorized through S.B. 14-215.

**R12 Provider rates:** The recommendation includes an increase of \$223,283 total funds (including \$73,076 General Fund) for a 2.7 percent increase in rates paid to providers through the behavioral health fee-for-service program.

## INITIATIVES/ CHANGES AFFECTING MULTIPLE LINE ITEMS

### R2 Behavioral health programs

*Request:* The Department's November 1, 2014, budget request included a decision item to add \$77.1 million total funds (including \$21.3 million General Fund), to cover projected caseload and expenditure changes in both the managed care and fee-for-service Medicaid behavioral health programs. This incremental increase was the difference between the original FY 2014-15 appropriation and the Department's expenditure projections based on data through June 2014, less annualization of prior year legislation and budget decisions.

*Recommendation:* The Committee has already taken action to adjust FY 2014-15 appropriations based on the Department's November 2014 caseload and expenditure forecast. The Department recently provided an updated forecast for both FY 2014-15 and FY 2015-16 that incorporates data through December 2014. Due to significant changes reflected in the February 2015 forecast, staff recommends a further adjustment to FY 2014-15 appropriations and staff recommends significantly higher appropriations than requested for FY 2015-16.

#### FY 2014-15

Staff recommends increasing FY 2014-15 appropriations by a total of \$12,026,027, including \$11,805,828 for capitation payments and \$220,199 for fee-for-service payments. With respect to fund sources, the recommendation includes a \$2,469,097 reduction in General Fund appropriations, offset by increases in the appropriations from cash funds (\$293,754) and federal funds (\$14,201,370).

The following table provides a comparison of the FY 2014-15 caseload and expenditure estimates in the Department's November 2014 and February 2015 forecasts.

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FY 2014-15 Medicaid Behavioral Health Community Programs Budget Overview						
Description	FY 2014-15 Adjusted Appropriation		FY 2014-15 February 15 Estimate		Change Due to Revision	
	Caseload	Funding	Caseload	Funding	Caseload	Funding
<b>Capitation Payments</b>						
<u>Eligibility Categories</u>						
Adults age 65+ (up to SSI)	41,932	\$6,965,269	42,087	\$6,969,616	155	\$4,347
Adults:						
Parents/caretakers (up to 138% FPL); pregnant adults (up to 200% FPL)	237,121	78,096,424	251,219	75,815,247	14,098	(2,281,177)
Adults without dependent children (up to 138% FPL)	223,775	154,577,629	240,362	171,952,160	16,587	17,374,531
Breast and Cervical Cancer Program (up to 250% FPL)	368	122,006	379	77,673	11	(44,333)
Individuals with disabilities under age 65 (up to 450% FPL)	81,186	144,865,782	80,827	141,562,724	(359)	(3,303,058)
Children (up to 147% FPL)	491,401	111,588,499	495,433	112,428,298	4,032	839,799
Children/young adults under age 27 in or formerly in foster care	<u>20,614</u>	<u>52,620,027</u>	<u>20,129</u>	<u>51,437,491</u>	<u>(485)</u>	<u>(1,182,536)</u>
Subtotal	1,096,397	548,835,636	1,130,436	560,243,209	34,039	11,407,573
<u>Adjustments:</u>						
Date of death retractions		(579,218)		(462,511)		116,707
Adults without dependent children rate reconciliation 1/		<u>(6,403,063)</u>		<u>(6,121,515)</u>		<u>281,548</u>
<b>Payments without S.B. 14-215</b>		<b>541,853,355</b>		<b>553,659,183</b>		<b>11,805,828</b>
<b>S.B. 14-215 (Disposition of Legal Marijuana Related Revenue)</b>		<u>4,363,807</u>		<u>4,363,807</u>		<u>0</u>
<b>Capitation Payments Total</b>	<b>1,096,397</b>	<b>\$546,217,162</b>	<b>1,130,436</b>	<b>\$558,022,990</b>	<b>34,039</b>	<b>\$11,805,828</b>
<b>Fee for Service</b>						
Inpatient		\$1,743,174		\$1,796,270		\$53,096
Outpatient		5,399,954		5,564,432		164,478
Physician		86,177		88,802		<u>2,625</u>
<b>Fee for Service Total</b>		<b>\$7,229,305</b>		<b>\$7,449,504</b>		<b>\$220,199</b>
<b>Total Behavioral Health Community Programs</b>	<b>1,096,397</b>	<b>\$553,446,467</b>	<b>1,130,436</b>	<b>\$565,472,494</b>	<b>34,039</b>	<b>\$12,026,027</b>
<b>Incremental Percentage Change</b>					<b>3.1%</b>	<b>2.2%</b>

1/ This adjustment corrects a systems issue that caused some adults to be incorrectly categorized, resulting in BHO payments that were based on inappropriately high per-member-per-month rates.

Overall, the most recent forecast reflects a *caseload* that is 34,039 (3.1 percent) higher than projected last November. Primarily, the most recent forecast indicates that the number of low income adults eligible for Medicaid continues to grow faster than anticipated, including the Parents/caretakers, Pregnant adults, and Adults without dependent children eligibility categories.

Overall, the most recent forecast reflects *expenditures* that are \$12.0 million (2.2 percent) higher than projected last November. Primarily, the increase in expenditures is driven by caseload

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increases. However, as detailed in the following table, the new forecast also reflects significant changes in average capitation expenditures for these adult eligibility categories. The Department's forecast for the number of eligible adults has increased significantly since February 2014 (by 19.3 percent for Parents/caretakers/pregnant adults and by 46.7 percent for Adults without dependent children). However, the Department's forecasts for the average capitation rates paid for both groups have decreased, mitigating the overall increase in expenditures.

<b>Comparison of Recent Forecasts for FY 2014-15 for Two Adult Eligibility Categories</b>				
<b>Description</b>	<b>Department Forecasts</b>			<b>Percent Change in Forecast Since February 2014</b>
	<b>February 2014</b>	<b>November 2014</b>	<b>February 2015</b>	
<b>Parents/caretakers (up to 138% FPL) and pregnant adults (up to 200% FPL)</b>				
Caseload	210,629	237,121	251,219	19.3%
Capitation Payment Expenditures	\$70,367,103	\$78,096,424	\$75,815,247	7.7%
Average Annual Per Capita Expenditure	\$334	\$329	\$302	-9.7%
<b>Adults without dependent children (up to 138% FPL)</b>				
Caseload	163,808	223,775	240,362	46.7%
Capitation Payment Expenditures	\$166,746,721	\$154,577,629	\$171,952,160	3.1%
Average Annual Per Capita Expenditure	\$1,018	\$691	\$715	-29.7%

The rates for these eligibility categories have declined as actual utilization and cost information has become available related to the newly eligible populations. Due to the uncertainty of the costs of serving the newly eligible adults without dependent children, the Department placed a "risk corridor" on the rates to protect both the State and BHOs from undue risk. While some BHOs will receive additional money from the State and other BHOs will be required to pay money back to the State, the Department is projecting an overall reduction in the average per-member-per-month rate paid to BHOs for adults without dependent children from July 1, 2014, through June 30, 2015<sup>1</sup>. The most recent forecast reflects a relatively small increase in average expenditures for adults without dependent children due to retroactive capitation payments for FY 2013-14 claims that were paid in the first six months of FY 2014-15. *See Appendix B for the detailed caseload and rate data that underlies the Department's revised capitation payment estimates for FY 2014-15.*

Finally, please note that the recommended changes to individual funding sources reflect the state matching requirements associated with each eligibility category. Most significantly, the increase in estimated expenditures for newly eligible adults without dependent children results in a significant increase in federal funds because these adults are currently funded with 100 percent federal funds.

<sup>1</sup> New BHO contracts went into effect July 1, 2014, and the Department established actuarially sound capitation rates for the full 12 months of FY 2014-15. The Department will establish new rates for the first six months of FY 2015-16. Beginning in January 2016, the Department will return to a calendar-year basis for establishing rates.

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FY 2015-16

Staff recommends increasing appropriations by a total of \$92.7 million for FY 2015-16, including \$18.7 million General Fund, \$1.3 million cash funds, and \$72.8 million federal funds. The following table provides a comparison of the most recent caseload and expenditure estimates for FY 2014-15 and for FY 2015-16. Based on the most recent forecast, the Department anticipates continued rapid growth in the Adults without dependent children, Children, and Parents/caretakers/pregnant adults eligibility categories. More than two-thirds of the projected annual increase in expenditures is attributable to projected caseload growth.

In addition, the most recent FY 2015-16 forecast reflects increases in the average per-member-per-month rates paid for all eligibility categories. The recommended funding increase is primarily attributable to projected rate increases for three eligibility categories:

- Parents/caretakers/pregnant adults;
- Individuals under age 65 with disabilities; and
- Children.

Finally, please note that the recommended changes to individual funding sources reflect the state matching requirements associated with each eligibility category. Similar to FY 2014-15, the increase in estimated expenditures for newly eligible adults without dependent children results in a significant increase in federal funds because these adults are currently funded with 100 percent federal funds.

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FY 2015-16 Medicaid Behavioral Health Community Programs Budget Overview						
Description	FY 2014-15 February 15 Estimate		FY 2015-16 February 15 Estimate		Annual Change	
	Caseload	Funding	Caseload	Funding	Caseload	Funding
<b>Capitation Payments</b>						
<u>Eligibility Categories</u>						
Adults age 65+ (up to SSI)	42,087	\$6,969,616	42,971	\$7,277,158	884	\$307,542
Adults:						
Parents/caretakers (up to 138% FPL); pregnant adults (up to 200% FPL)	251,219	75,815,247	282,708	95,548,001	31,489	19,732,754
Adults without dependent children (up to 138% FPL)	240,362	171,952,160	287,239	208,653,660	46,877	36,701,500
Breast and Cervical Cancer Program (up to 250% FPL)	379	77,673	179	60,207	(200)	(17,466)
Individuals with disabilities under age 65 (up to 450% FPL)	80,827	141,562,724	85,135	154,610,515	4,308	13,047,791
Children (up to 147% FPL)	495,433	112,428,298	536,440	126,732,162	41,007	14,303,864
Children/young adults under age 27 in or formerly in foster care	<u>20,129</u>	<u>51,437,491</u>	<u>20,237</u>	<u>53,264,149</u>	<u>108</u>	<u>1,826,658</u>
Subtotal	1,130,436	560,243,209	1,254,909	646,145,852	124,473	85,902,643
<u>Adjustments:</u>						
Date of death retractions	n/a	(462,511)	n/a	(416,261)	n/a	46,250
Adults without dependent children rate reconciliation	n/a	<u>(6,121,515)</u>	n/a	<u>0</u>	n/a	<u>6,121,515</u>
<b>Capitation subtotal with adjustments</b>	<b>1,130,436</b>	<b>553,659,183</b>	<b>1,254,909</b>	<b>645,729,591</b>	<b>124,473</b>	<b>92,070,408</b>
<u>Budget Initiatives:</u>						
R8 (Children with autism waiver)	n/a		<u>151</u>	<u>295,672</u>	<u>151</u>	<u>295,672</u>
Payments without S.B. 14-215	1,130,436	553,659,183	1,255,060	646,025,263	124,624	92,366,080
<b>S.B. 14-215 (Disposition of Legal Marijuana Related Revenue)</b>	n/a	<b><u>4,363,807</u></b>	n/a	<b><u>4,365,859</u></b>	n/a	<b><u>2,052</u></b>
Capitation Payments Total	1,130,436	\$558,022,990	1,255,060	\$650,391,122	124,624	\$92,368,132
<b>Fee for Service</b>						
Inpatient		\$1,796,270		\$1,994,058		\$197,788
Outpatient		5,564,432		6,177,135		612,703
Physician		<u>88,802</u>		<u>98,580</u>		<u>9,778</u>
Subtotal		7,449,504		8,269,773		820,269
<b>Provider rate increase</b>		Included above		<b>223,283</b>		<b>223,283</b>
<b>Fee for Service Total</b>		<b>\$7,449,504</b>		<b>\$8,493,056</b>		<b>\$1,043,552</b>
<b>Total Behavioral Health Community Programs</b>	<b>1,130,436</b>	<b>\$565,472,494</b>	<b>1,255,060</b>	<b>\$658,884,178</b>	<b>124,624</b>	<b>\$93,411,684</b>
<b>Incremental Percentage Change</b>					<b>11.0%</b>	<b>16.5%</b>

**➔ BA17 FMAP change**

*Request:* The Department submitted a budget amendment to adjust fund sources to reflect a recent change in Colorado's federal medical assistance percentage (FMAP).

*Recommendation:* All staff recommendations reflect the scheduled change in the FMAP.

**➔ Allocation of Marijuana Tax Revenues**

*Background Information:* Senate Bill 14-215 created the Marijuana Tax Cash Fund (MTCF), consisting of all sales tax moneys collected by the state from retail and medical marijuana. With respect to this department, the act specified that moneys in the MTCF may be used to increase the "availability of school-based prevention, early intervention, and health care services and programs to reduce the risk of marijuana and other substance use and abuse by school-aged children". The act also created the School-based Substance Abuse Prevention and Intervention Program in HCPF. This is a competitive grant program for schools and community-based organizations to provide school-based prevention and intervention programs for youth (ages 12 to 19), primarily focused on reducing marijuana use, but including strategies and efforts to reduce alcohol use and prescription drug misuse.

The act appropriated a total of \$2.0 million General Fund and \$2.4 million federal Medicaid funds for payments to BHOs for school-based prevention and intervention services, and \$2.0 million General Fund for the new grant program. The act directed the State Treasurer to transfer \$4,260,000 from the MTCF to the General Fund to offset the General Fund appropriations to HCPF<sup>2</sup>. The Committee recently introduced legislation to reduce the appropriation for the grant program (and the associated transfer from the MTCF to the General Fund) based on actual grant awards.

*Request:* For FY 2015-16, the Department requests continuation of payments to BHOs and elimination of funding for the grant program. The Department's request reflects an appropriation of \$1,931,346 General Fund based on an estimated number of Medicaid-eligible children, estimated "add-on" rates, and the applicable federal matching rates for different eligibility categories. The Governor's letter to the Committee, dated November 3, 2014, indicated a plan to continue providing \$2,000,000 General Fund to BHOs in FY 2015-16 with a corresponding transfer from the MTCF to the General Fund. The proposed transfer of \$2,130,000 includes \$130,000 to account for the associated 6.5 percent General Fund reserve requirement.

*Recommendation:* Staff recommends approving the request to continue payments to BHOs and eliminate funding for the grant program. However, the recommended appropriation and transfer amounts differ from the request. The following table summarizes the existing allocation of

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<sup>2</sup> This transfer includes \$4,000,000 that corresponds to the General Fund appropriations to HCPF, plus \$260,000 to account for the statutorily required 6.5 percent General Fund reserve associated with a General Fund appropriation of \$4.0 million.

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marijuana tax revenues for HCPF programs for FY 2014-15, and the requested and recommended amounts for FY 2015-16. See the relevant line items below for more information about each program and the corresponding recommendations.

Recommendations Related to Marijuana Tax Revenues					
Description	FY 2014-15			FY 2015-16	
	S.B. 14-215	S.B. 15-167	Final	Request	Recommend.
<b>Appropriations:</b>					
School-based Early Intervention and Prevention (payments to BHOs)	\$2,000,000	\$0	\$2,000,000	\$1,931,346	\$2,000,000
School-based Substance Abuse Prevention and Intervention Grant Program	<u>2,000,000</u>	<u>(1,081,344)</u>	<u>918,656</u>	<u>0</u>	<u>0</u>
<b>Total Appropriations</b>	<b>\$4,000,000</b>	<b>(\$1,081,344)</b>	<b>\$2,918,656</b>	<b>\$1,931,346</b>	<b>\$2,000,000</b>
<b>Transfers from the MTCF to the General Fund:</b>					
Appropriated amount	\$4,000,000	(\$1,081,344)	\$2,918,656	\$2,000,000	\$2,000,000
Associated statutory reserve (6.5 percent)	<u>260,000</u>	<u>(70,287)</u>	<u>189,713</u>	<u>130,000</u>	<u>0</u>
<b>Total Transfers</b>	<b>\$4,260,000</b>	<b>(\$1,151,631)</b>	<b>\$3,108,369</b>	<b>\$2,130,000</b>	<b>\$2,000,000</b>

### (3) Behavioral Health Community Programs

This section of the Department's budget includes funding for payments to behavioral health organizations (BHOs) through the statewide managed care or "capitated" program, and for fee-for-service payments for behavioral health services provided to clients who are not enrolled in a BHO and for the provision of behavioral health services that are not covered by the BHO contract. In addition, this section includes appropriations that were authorized through S.B. 14-215 for school-based programs to reduce the risk of marijuana and other substance use and abuse by school-aged children.

#### **LINE ITEM DETAIL – (3) BEHAVIORAL HEALTH COMMUNITY PROGRAMS**

##### **Behavioral Health Capitation Payments**

This line item supports the provision of most behavioral health services to Medicaid clients. Behavioral health services, which include both mental health and substance use-related services, are provided to Medicaid clients through a statewide managed care or "capitated" program. The Department contracts with regional entities, known as behavioral health organizations (BHOs), to provide or arrange for behavioral health services for clients within their geographic region who are eligible for and enrolled in the Medicaid program. In order to receive services through a BHO, a client must have a covered diagnosis and receive a covered service or procedure<sup>3</sup> that is medically necessary. *Services that are provided by BHOs to Medicaid clients* are listed below.

<sup>3</sup> BHOs offer all Medicaid State Plan mental health services plus services approved through the Department's federal 1915 (b) (3) waiver.

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Covered State Plan Services

- \*inpatient psychiatric hospital services
- outpatient services, including:
  - physician services (including psychiatric care)
  - rehabilitative services (including: individual, group, and family behavioral health therapy; behavioral health assessment; pharmacologic management; day treatment; and emergency/crisis services)
- targeted case management
- school-based behavioral health services
- drug screening and monitoring
- detoxification services
- medication-assisted treatment

Covered 1915 (b) (3) Waiver Alternative Services

- vocational services
- assertive community treatment
- intensive case management
- clubhouse and drop-in center services
- recovery services
- \*residential services (24-hour care provided in a non-hospital, non-nursing home setting; excludes room and board)
- prevention/early intervention services
- respite care

Those services noted with an asterisk (\*) are not covered for a client for whom the primary diagnosis is a substance use disorder (SUD). However, the Department has recently reached an agreement with BHOs and hospitals to cover service costs during the assessment period of the client's hospitalization even if the primary diagnosis is ultimately determined to be a SUD.

Each BHO receives a pre-determined monthly amount for each Medicaid client who is eligible for behavioral health services within its geographic area. The "per-member-per-month" rates paid to BHOs are unique for each Medicaid eligibility category in each geographic region. These rates are adjusted annually based on historical rate experience and data concerning client service utilization. Currently, the state is divided into five geographic regions for the provision of behavioral health services to the following *Medicaid eligibility categories*<sup>4</sup>:

- Adults age 65 and older;
- Children and adults with disabilities under age 65;
- Parents and caretakers;

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<sup>4</sup> The Department recently renamed certain eligibility categories to be more consistent with terminology used in other states and to more accurately estimate expenditures by fund source. The term "MAGI" refers to the new federal Modified Adjusted Gross Income standard that states are required to use when determining income for purposes of Medicaid eligibility.

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- Pregnant adults;
- Adults without dependent children;
- Children;
- Children and young adults in or formerly in foster care (through age 26); and
- Adults served through the Breast and Cervical Cancer Treatment and Prevention Program.

Two Medicaid populations that are eligible for certain medical benefits are not eligible for behavioral health services through the Medicaid program: (1) Non-citizens; and (2) Partial dual-eligible individuals (*i.e.*, individuals who are eligible for both Medicare and Medicaid benefits, but for whom the Medicaid benefit is limited to payment of Medicare premiums and co-insurance payments). In addition, the following Medicaid-eligible clients are excluded from enrollment in a BHO:

- Individuals enrolled in a Program of All-inclusive Care for the Elderly (PACE Program).
- Children and youth in the custody of the Department of Human Services' Division of Child Welfare or Division of Youth Corrections who are placed in a psychiatric residential treatment facility (PRTF) of a residential child care facility (RCCF).
- Certain individuals receiving treatment at the Colorado Mental Health Institutes<sup>5</sup>.
- Individuals with intellectual and developmental disabilities (IDD) who:
  - (a) receive IDD services through an intermediate care facility for individuals with intellectual disabilities;
  - (b) receive IDD services through a regional center "waiver bed"; or
  - (c) reside in the state regional centers and associated satellite residences for more than 90 days.

Finally, a Medicaid client may request and receive an individual exemption if BHO enrollment is not in their best clinical interest [pursuant to 10 CCR 2505-10, Section 8.212.2]<sup>6</sup>. For these individuals, expenditures related to behavioral health care are covered through the Behavioral Health Fee-for-service Payments line item appropriation in HCPF (described below).

Every five years the Department uses a competitive bid process to award BHO contracts for each region. The existing contracts went into effect July 1, 2014. Capitation rates are adjusted annually based on historical rate experience and recent encounter data (*i.e.*, statewide average costs by diagnosis category). **Capitated behavioral health program expenditures** are affected by caseload changes, rate changes, and changes to the Medicaid State Plan or waiver program that affect the diagnoses, services, and procedures that are covered for Medicaid clients. Caseload changes include changes in Medicaid eligibility, as well as demographic and economic

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<sup>5</sup> This includes individuals, ages 21 through 64, who receive inpatient treatment at one of the Institutes, as well as patients who are: (1) ordered by a criminal court to be evaluated for competency to stand trial; (2) found by a criminal court to be incompetent to proceed to trial; or (3) found by a criminal court to be not guilty by reason of insanity.

<sup>6</sup> There are generally fewer than 25 Medicaid clients exempted under this State rule.

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changes that affect the number of individuals eligible within each category. The State's share of expenditures is also affected by changes in the federal match rate for various eligibility categories.

The following table details recent expenditure and caseload trends for this line item. The table also details staff's recommendations for FY 2014-15 and FY 2015-16 based on the Department's February 2015 submittal.

Medicaid Behavioral Health Capitation Payments						
	FY 2012-13	FY 2013-14	FY 2014-15 1/		FY 2015-16 1/	
	Actual	Actual	Adjusted Appropriation	Feb. 15, 2015 Estimate	Request 2/	Feb. 15, 2015 Estimate
<b>Capitation Payments</b>	<b>\$301,303,046</b>	<b>\$415,933,333</b>	<b>\$541,853,355</b>	<b>\$553,659,183</b>	<b>\$620,621,342</b>	<b>\$645,729,591</b>
Annual Dollar Change	\$27,926,432	\$114,630,287	\$125,920,022	\$137,725,850	\$66,962,159	\$92,070,408
Annual Dollar % Change	10.2%	38.0%	30.3%	33.1%	12.1%	16.6%
<b>Caseload</b>	<b>659,104</b>	<b>835,098</b>	<b>1,096,397</b>	<b>1,130,436</b>	<b>1,189,489</b>	<b>1,254,909</b>
Annual Caseload Change	60,782	175,994	261,299	295,338	59,053	124,473
Annual Caseload % Change	10.2%	26.7%	31.3%	35.4%	5.2%	11.0%
<b>Average Cost Per Case</b>	<b>\$457</b>	<b>\$498</b>	<b>\$494</b>	<b>\$490</b>	<b>\$522</b>	<b>\$515</b>

1/ The "Capitation Payments" figures for FY 2014-15 and FY 2015-16 exclude amounts appropriated through S.B. 14-215 for BHOs' school-based substance abuse prevention and intervention programs.

2/ The "Capitation Payments" request for FY 2015-16 includes \$295,672 for R8 (Children with autism waiver), and the associated "Caseload" figure for FY 2015-16 includes an additional 151 Medicaid-eligible children based on the projected FY 2015-16 impact of R8. These amounts are excluded from the "Feb. 15, 2015 Estimate" column.

**FY 2014-15**

**Request:** The Department submitted a request to change the FY 2014-15 appropriation as required in January 2015. The Committee acted on that request in January.

**Recommendation:** Staff recommends increasing the existing FY 2014-15 appropriation by \$11.8 million total funds (including a decrease of \$2.5 million General Fund) based on the Department's February 2015 caseload and expenditure forecast.

**FY 2015-16**

**Request:** The Department requests \$620.6 million (including \$191.6 million General Fund) for FY 2015-16 based on its November 2014 caseload and expenditure forecast.

**Recommendation:** Staff recommends appropriating \$645.7 million for FY 2015-16 (including \$191.5 million General Fund) based on the Department's February 2015 caseload and expenditure forecast. The staff recommendations for this line item are summarized in the following table. In addition, Appendices B and C detail the caseload and rate data that underlie the Department's February 2015 forecast for FY 2014-15 and FY 2015-16.

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<b>Behavioral Health Community Programs, Behavioral Health Capitation Payments</b>						
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Reappropriated Funds</b>	<b>Federal Funds</b>	<b>FTE</b>
<b>FY 2014-15 Appropriation</b>						
HB 14-1336 (Long Bill)	\$543,607,968	\$169,004,720	\$4,489,831	\$0	\$370,113,417	0.0
Other legislation	129,839	0	44,755	0	85,084	0.0
SB 15-147 (Supplemental)	(1,884,452)	8,423,143	(422,628)	0	(9,884,967)	0.0
Long Bill Supplemental	<u>11,805,828</u>	<u>(2,541,913)</u>	<u>291,590</u>	<u>0</u>	<u>14,056,151</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$553,659,183</b>	<b>\$174,885,950</b>	<b>\$4,403,548</b>	<b>\$0</b>	<b>\$374,369,685</b>	<b>0.0</b>
<b>FY 2015-16 Recommended Appropriation</b>						
FY 2014-15 Appropriation	\$553,659,183	\$174,885,950	\$4,403,548	\$0	\$374,369,685	0.0
FMAP change	0	(1,878,894)	(2,683)	0	1,881,577	0.0
Annualize prior year budget decisions	<u>162,203</u>	<u>110,571</u>	<u>(22,653)</u>	<u>0</u>	<u>74,285</u>	<u>0.0</u>
Subtotal: Continuation base	553,821,386	173,117,627	4,378,212	0	376,325,547	0.0
R2 Behavioral health programs	91,908,205	18,429,516	1,243,377	0	72,235,312	0.0
R6 Enrollment simplification	0	0	0	0	0	0.0
R8 Children with autism waiver	0	0	0	0	0	0.0
<b>TOTAL</b>	<b>\$645,729,591</b>	<b>\$191,547,143</b>	<b>\$5,621,589</b>	<b>\$0</b>	<b>\$448,560,859</b>	<b>0.0</b>
<b>Increase/(Decrease)</b>	\$92,070,408	\$16,661,193	\$1,218,041	\$0	\$74,191,174	0.0
Percentage Change	16.6%	9.5%	27.7%	n/a	19.8%	n/a
<b>FY 2015-16 Executive Request:</b>	<b>\$620,621,342</b>	<b>\$191,641,708</b>	<b>\$4,902,675</b>	<b>\$0</b>	<b>\$424,076,959</b>	<b>0.0</b>
Request Above/(Below) Recommendation	(\$25,108,249)	\$94,565	(\$718,914)	\$0	(\$24,483,900)	0.0

*Long Bill Supplemental:* As described above, the recommendation includes an increase for FY 2014-15 based on the Department's February 2015 caseload and expenditure forecast.

*FMAP change:* The recommendation reflects the impact of the scheduled change in the federal Medicaid assistance percentage (FMAP) on FY 2014-15 appropriations.

*Annualize prior year budget decisions:* The recommendation includes increases totaling \$162,203 related to prior year legislation and budget decisions, including the following adjustments:

- *FY 2014-15 Initiative to remove five-year bar – increase of \$212,313.* The recommendation reflects the anticipated FY 2015-16 behavioral health-related impact of removing the five-year waiting period for legal immigrant children and pregnant women.

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- *FY 2014-15 R8 IDD Increase funded FPE – increase of \$15,270.* The recommendation reflects the anticipated FY 2015-16 behavioral health-related impact of expanding the number of adults with intellectual and developmental disabilities eligible for home and community based services.
- *H.B. 14-1045 (Breast and Cervical Cancer Prevention) – reduction of \$65,380.* The recommendation reflects the anticipated FY 2015-16 impact of reauthorizing the Breast and Cervical Cancer Prevention and Treatment Program.

*R2 Behavioral health programs:* As described at the beginning of this packet, the recommended increase for FY 2015-16 is based on the Department's February 2015 caseload and expenditure forecast.

*R6 Enrollment simplification:* The recommendation does not include any incremental change related to this budget initiative. With respect to behavioral health community programs, the Department anticipates \$0 impact in FY 2015-16 and an increase of \$3,924,077 in FY 2016-17. The staff recommendation for this initiative will be included in Eric Kurtz' March 9, 2015 figure setting document.

*R8 Children with autism waiver:* The recommendation does not include any incremental change related to this budget initiative. The Committee has introduced legislation (H.B. 15-1186) to expand and modify the Children with Autism waiver. Any impact to behavioral health community programs for FY 2015-16 will be addressed through an appropriation clause in the bill.

**School-based Early Intervention and Prevention (R17)**

Pursuant to S.B. 14-215, the Marijuana Tax Cash Fund (MTCF) consists of all sales tax moneys collected by the state from retail and medical marijuana. With respect to the Department of Health Care Policy and Financing (HCPF), moneys in the MTCF may be used to increase the "availability of school-based prevention, early intervention, and health care services and programs to reduce the risk of marijuana and other substance use and abuse by school-aged children" [see Section 39-28.8-501 (2) (b) (VIII), C.R.S.].

The act appropriated a total of \$4,363,807 (including \$2,000,000 General Fund and \$2,363,807 federal Medicaid funds) for FY 2014-15 for school-based prevention and intervention substance use disorder services to be provided by behavioral health organizations (BHOs). The act also directed the State Treasurer to transfer \$2,130,000 from the MTCF to the General Fund to offset this General Fund appropriation (including \$130,000 to account for the statutorily-required 6.5 percent General Fund reserve).

Prior to the passage of S.B. 14-215, BHO providers were offering prevention-oriented behavioral health services in 402 schools, as authorized under the Department's federal 1915 (b) (3) waiver. The Department indicates that the federal Centers for Medicare and Medicaid Services (CMS) do not allow a state to make a "supplemental payment" to a BHO. However, a state is allowed to pay an "add-on" rate as long as it is within the actuarially certified capitation rate range for the relevant BHO and eligibility type. Thus, in order to administer the additional funding that was

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provided through S.B. 14-215, the Department has established "add-on" per-member-per-month rates for each BHO for two relevant eligibility categories (Children, and Children and youth in or formerly in foster care). The following table, provided by the Department, details the allocation of the \$4.3 million appropriated through S.B. 14-215 by BHO, based on these add-on rates.

<b>SB 14-215 Substance Use Disorder Per-Member-Per-Month "Add-On" Rates and Payments</b>					
<b>BHO</b>	<b>Children</b>		<b>Foster Care</b>		<b>Total Allocation</b>
	<b>Rate</b>	<b>Allocation</b>	<b>Rate</b>	<b>Allocation</b>	
Colorado Access	\$1.13	\$617,769	\$4.18	\$68,641	\$686,410
Behavioral Healthcare Inc.	\$0.88	826,846	\$11.08	354,362	1,181,208
Foothills Behavioral Health Partners	\$1.02	398,195	\$5.35	99,549	497,744
Access Behavioral Care Northeast	\$0.73	325,443	\$13.46	240,545	565,988
Colorado Health Partnerships	\$1.01	<u>1,145,965</u>	\$6.22	<u>286,491</u>	<u>1,432,456</u>
<b>Total</b>		<b>\$3,314,218</b>		<b>\$1,049,588</b>	<b>\$4,363,807</b>

The Department is requiring BHOs to use the additional funds to expand programs into additional schools that were previously without these services. The Department indicates that BHOs, through their contracted provider network, will target middle and high schools that have a large student population that is eligible for free and reduced cost school lunches. The interventions proposed by the BHOs will be school-based and collaboratively planned with the school district and individual school, focusing on the characteristics of the student body and community and building on the strengths and resource deficits in the individual school. Although the specific intervention will not be prescribed, schools will participate in a selection of evidence-based curricula that fit the needs of the school setting. The interventions will include three elements:

- (1) individual consultation for school staff and education of students and school personnel;
- (2) group-based interventions driven by self-referral and referrals by school staff, faculty, parents and other community organizations; and
- (3) referral and coordination with treatment resources as indicated.

The BHOs are targeting both urban and rural schools with a high percentage of students eligible for subsidized lunch programs. Eligibility for this program is a good proxy for Medicaid eligibility, and this measure helps ensure that schools in rural areas are given equal opportunity to participate and benefit from the expanded school-based prevention and early intervention services as those in urban settings.

**Request:** The Governor's letter to the Committee, dated November 3, 2014, indicates a plan to continue providing \$2,000,000 General Fund to BHOs in FY 2015-16 with a corresponding transfer from the MTCF to the General Fund. The proposed transfer of \$2,130,000 would account for the associated 6.5 percent General Fund reserve requirement. Please note that S.B. 14-215 only authorized the transfer from the MTCF to the General Fund to offset the appropriations to HCPF for FY 2014-15 [see Section 39-28.8-501 (4) (b), C.R.S.]. Thus, **approval of this request (or staff's recommendation) will require a statutory change to authorize a transfer for FY 2015-16.** Based on legal advice received by the Governor's Office,

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the Department is requesting continuation of this funding mechanism rather than a direct appropriation from the MTCF to ensure continued federal fund participation and match.

The Department's budget request reflects continuation funding for this purpose for FY 2015-16. However, the amount requested by the Department is slightly different from the FY 2014-15 appropriation because it is based on an estimated number of Medicaid-eligible children, estimated "add-on" rates, and the applicable federal matching rates for different eligibility categories. Specifically, the Department's request reflects continuation funding of \$4,216,324, including \$1,931,346 General Fund and \$2,284,978 federal Medicaid funds.

**Recommendation:** Staff recommends approval of the request, with the following modifications:

- **Appropriate a flat dollar amount (\$2,000,000) from the General Fund for FY 2015-16**, rather than the requested amount. This will simplify the process of describing and tracking the allocation of MTCF revenues and the associated transfers from the MTCF to the General Fund to offset appropriations to HCPF. Staff's recommendation reflects the appropriate federal matching dollar amount.
- **Appropriate the General Fund and associated federal matching funds in a separate line item in the FY 2015-16 Long Bill.** For purposes of this document, staff has chosen to reflect the FY 2014-15 appropriation and the FY 2015-16 request for this program as a separate line item. However, the Department's budget request, along with the associated calculations and supporting documentation, includes these amounts within the overall Behavioral Health Capitation Payments line item. Due to the discretionary nature of this appropriation and the associated transfers from the MTCF to the General Fund, staff believes it would be more clear and transparent if these moneys are separately identified in the appropriation. Please note, however, that staff's recommendation is not intended to change the way that the Department is allocating and distributing these moneys among BHOs.
- **Introduce legislation to authorize a transfer of \$2,000,000 from the MTCF to the General Fund for FY 2015-16.** Staff does not recommend increasing the transfer amount by 6.5 percent to cover the associated statutory reserve because this was already accomplished in FY 2014-15.
- **Consider proposing legislation that authorizes a transfer from the MTCF to the General Fund for this program for more than one year.** Based on staff's discussions with Department staff and providers, it is clear that the current process of appropriating moneys from the MTCF and authorizing transfers from the MTCF to the General Fund through a separate bill each session presents a strong possibility that funding for a particular program may not continue. This causes Department staff and providers to approach implementation differently, and may not lead to the most effective outcomes.

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**Behavioral Health Fee-for-service Payments**

This line item supports "fee-for-service" payments for: (1) the provision of behavioral health services that are not covered by the BHO contract to BHO-enrolled clients; and (2) the provision of behavioral health services to Medicaid clients who are not enrolled in a BHO.

- *Services Not Covered by BHO Contract.* This line item covers behavioral health expenditures for Medicaid clients who have a diagnosis that is not covered by the BHO contract (e.g., autism spectrum disorder, developmental disability, dementia, etc.).
- *Clients Not Enrolled in BHO.* This line item also covers behavioral health expenditures for Medicaid clients who have received an individual exemption from BHO enrollment. In addition, to the extent that partial dual-eligible individuals receive mental health services under their Medicare benefits package, this line item covers that portion of expenditures that would have been the responsibility of the client.

The fee-for-service program covers all Medicaid State Plan mental health and substance use disorder services<sup>7</sup>. The following table details recent expenditure trends for this line item. Expenditures are broken out into three categories: inpatient services, outpatient services, and physician services. The table also details the Department's most recent estimates for FY 2014-15 and FY 2015-16.

Medicaid Behavioral Health Fee-for-service Payments						
	FY 2012-13	FY 2013-14	FY 2014-15 1/		FY 2015-16 2/	
	Actual	Actual	Adjusted Appropriation	Feb. 15, 2015 Estimate	Nov. 1, 2014 Request	Feb. 15, 2015 Estimate
Inpatient Services	\$973,629	\$1,277,088	\$1,743,174	\$1,796,270	1,909,049	2,047,897
Outpatient Services	3,513,329	3,956,128	5,399,954	5,564,432	5,913,795	6,343,917
Physician Services	82,240	63,135	86,177	88,802	94,377	101,242
Accounting Adjustment 3/	0	(516)	n/a	n/a	n/a	n/a
<b>Total Fee-for-Service Funding</b>	<b>\$4,569,198</b>	<b>\$5,295,835</b>	<b>\$7,229,305</b>	<b>\$7,449,504</b>	<b>\$7,917,221</b>	<b>\$8,493,056</b>
Annual Dollar Change	\$675,159	\$726,637	\$1,933,470	\$2,153,669	\$687,916	\$1,043,552
Annual Dollar % Change	17.3%	15.9%	36.5%	40.7%	9.5%	14.0%

1/ These amounts include \$139,354 for a community provider rate increase, pro rated across each expenditure category based on the Department's base expenditure estimates for FY 2014-15.

2/ The request includes \$75,092 and the recommendation includes \$223,283 for a community provider rate increase (R12). These amounts have been pro rated across each expenditure category based on the Department's base expenditure estimates for FY 2015-16.

3/ The Department overlays MMIS data onto COFRS data to approximate expenditures by eligibility category. In some instances, this overlay process results in totals which do not match actual expenditures. This adjustment ensures that total actual expenditures are reflected above.

<sup>7</sup> The fee-for-service program does not, however, cover services approved through the Department's federal 1915 (b) (3) waiver.

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FY 2014-15

**Request:** The Department submitted a request to change the FY 2014-15 appropriation as required in January 2015. The Committee acted on that request in January.

**Recommendation:** Staff recommends increasing the existing FY 2014-15 appropriation by \$220,199 total funds (including \$72,816 General Fund) based on the Department's February 2015 caseload and expenditure forecast.

FY 2015-16

**Request:** The Department requests \$7.9 million (including \$2.6 million General Fund) for FY 2015-16 based on its November 2014 caseload and expenditure forecast.

**Recommendation:** Staff recommends appropriating \$8.5 million for FY 2015-16 (including \$2.8 million General Fund) based on the Department's February 2015 caseload and expenditure forecast.

The staff recommendations for this line item are summarized in the following table.

<b>Behavioral Health Community Programs, Behavioral Health Fee-for-service Payments</b>					
	<b>Total Funds</b>	<b>General Fund</b>	<b>Cash Funds</b>	<b>Federal Funds</b>	<b>FTE</b>
<b>FY 2014-15 Appropriation</b>					
HB 14-1336 (Long Bill)	\$7,107,049	\$3,499,689	\$0	\$3,607,360	0.0
SB 15-147 (Supplemental)	122,256	(1,115,379)	77,351	1,160,284	0.0
Long Bill Supplemental	<u>220,199</u>	<u>72,816</u>	<u>2,164</u>	<u>145,219</u>	<u>0.0</u>
<b>TOTAL</b>	<b>\$7,449,504</b>	<b>\$2,457,126</b>	<b>\$79,515</b>	<b>\$4,912,863</b>	<b>0.0</b>
<b>FY 2015-16 Recommended Appropriation</b>					
FY 2014-15 Appropriation	\$7,449,504	\$2,457,126	\$79,515	\$4,912,863	0.0
FMAP change	0	(19,671)	(48)	19,719	0.0
Annualize prior year budget decisions	<u>12,668</u>	<u>6,238</u>	<u>0</u>	<u>6,430</u>	<u>0.0</u>
Subtotal: Continuation base	7,462,172	2,443,693	79,467	4,939,012	0.0
R2 Behavioral health programs	807,601	262,842	8,058	536,701	0.0
R12 Provider rates	223,283	73,076	2,363	147,844	0.0
<b>TOTAL</b>	<b>\$8,493,056</b>	<b>\$2,779,611</b>	<b>\$89,888</b>	<b>\$5,623,557</b>	<b>0.0</b>
<b>Increase/(Decrease)</b>	\$1,043,552	\$322,485	\$10,373	\$710,694	0.0
Percentage Change	14.0%	13.1%	13.0%	14.5%	n/a
<b>FY 2015-16 Executive Request:</b>	<b>\$7,917,221</b>	<b>\$2,576,708</b>	<b>\$84,197</b>	<b>\$5,256,316</b>	<b>0.0</b>
Request Above/(Below) Recommendation	(\$575,835)	(\$202,903)	(\$5,691)	(\$367,241)	0.0

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*Long Bill Supplemental:* As described above, the recommendation includes an increase for FY 2014-15 based on the Department's February 2015 caseload and expenditure forecast.

*FMAP change:* The recommendation reflects the impact of the scheduled change in the federal Medicaid assistance percentage (FMAP) on FY 2014-15 appropriations.

*Annualize prior budget year decision:* The recommendation reflects the impact of the 2.5 percent rate increase approved for FY 2014-15 for providers that receive payments through the behavioral health fee-for-service program.

*R2 Behavioral health programs:* As described at the beginning of this packet, the recommended increase for FY 2015-16 is based on the Department's February 2015 caseload and expenditure forecast.

*R12 Provider rates:* As described below for R12, the recommendation includes an increase for a 2.7 percent provider rate increase (applied to the adjusted base), consistent with Committee policy.

**➔ R12 Provider rates**

*Request:* The Department's request includes \$75,092 for a 1.0 percent provider rate increase.

*Recommendation:* Staff's recommendation includes \$223,283 total funds for a 2.7 percent provider rate increase, consistent with Committee policy. Staff as applied the rate to the estimated expenditures reflected for this line item in the Department's February 2015 submittal. Please note, the Department has indicated that there may be an overlap between this line item and the Medical Services Premiums line item for certain Medicaid billing codes. In these instances, the Department will need to establish a consistent rate for both line items.

**Background Information Requested by Committee Concerning Community Providers**

This line item appropriation reimburses the following types of community providers for the provision of mental health and substance use disorder treatment services to Medicaid clients:

- Medical hospitals
- Private psychiatric hospitals
- Community mental health centers
- Federally qualified health centers
- Local independent behavioral health treatment providers (physician offices and clinics)
- School-based health centers
- Rural health centers
- Residential child care facilities
- Psychiatric residential treatment facilities

The above providers include both for-profit and not-for-profit entities. In almost all cases, care is skilled and therefore few of the staff employed by these providers would be paid at or near the minimum wage.

### **School-based Substance Abuse Prevention and Intervention Grant Program**

*Senate Bill 14-215.* Pursuant to S.B. 14-215, the Marijuana Tax Cash Fund (MTCF) consists of all sales tax moneys collected by the state from retail and medical marijuana. With respect to the Department of Health Care Policy and Financing (HCPF), moneys in the MTCF may be used to increase the "availability of school-based prevention, early intervention, and health care services and programs to reduce the risk of marijuana and other substance use and abuse by school-aged children" [see Section 39-28.8-501 (2) (b) (VIII), C.R.S.].

Senate Bill 14-215 also created the School-based Substance Abuse Prevention and Intervention Program in HCPF. This is a competitive grant program for schools and community-based organizations to provide school-based prevention and intervention programs for youth (ages 12 to 19), primarily focused on reducing marijuana use, but including strategies and efforts to reduce alcohol use and prescription drug misuse [see Section 25.5-1-206, C.R.S.]. The grant program is subject to available appropriations. The grant award must be used to deliver programs and strategies to at-risk youth, regardless of the youths' eligibility for Colorado's medical assistance program. Further, a grant award must be used to implement evidence-based programs and strategies that are designed to achieve the following outcomes:

- An increase in the perceived risk of harm associated with marijuana use, prescription drug misuse, and underage alcohol use among youth;
- A decrease in the rates of youth marijuana use, alcohol use, and prescription drug misuse;
- A delay in the age of first use of marijuana, alcohol, or prescription drug misuse;
- A decrease in the rates of youth who have ever used marijuana or alcohol or misused prescription drugs in their lifetime; and
- A decrease in the number of drug- and alcohol-related violations on school property, suspensions, and expulsions reported by schools.

The act appropriated \$2,000,000 General Fund for FY 2014-15 for the new grant program. The act also directed the State Treasurer to transfer \$2,130,000 from the MTCF to the General Fund to offset this General Fund appropriation (including \$130,000 to account for the statutorily required 6.5 percent General Fund reserve).

*Implementation of Grant Program.* The Department received 21 applications requesting a total of \$897,935. On December 3, the Department announced the following grant awards totaling \$868,656:

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Boulder Valley School District: \$50,000  
Moffat Schools: \$11,951.50  
Alternatives for Youth, INC: \$50,000  
Colorado Association for School-Based Health Care: \$50,000  
The YESS Institute: \$50,000  
Mountain Valley School: \$12,408  
Hilltop Health Services Corporation: \$ 25,388  
Archuleta School District 50 Joint: \$49,063  
Ouray County Schools Community Resource Consortium, Inc.: \$19,528  
Mesa County Valley School District 51: \$64,400  
Aurora Public Schools: \$49,998  
Team Fort Collins: \$50,000  
Cortez Addictions Recovery Services: \$48,375  
“I Have a Dream” Foundation of Boulder County: \$50,000  
Summit County Youth and Family Services: \$40,519  
Gunnison Hinsdale Youth Services, Inc.: \$50,000  
Generation Schools Network: \$47,025  
Eagle River Youth Coalition: \$50,000  
Partners Mentoring Youth: \$50,000  
Mountain Resource Center: \$50,000

As indicated above, eight of the awards were made to schools or school districts, and the remainder was made to other community-based organizations. Grant awards must be expended by June 30, 2015.

An applicant was required to explain in its grant application how its proposed program or strategy is evidence-based including how the program or strategy has been validated. Evidence-based programs and interventions are those that have been tested using rigorous research designs and shown to be effective in reducing or preventing the use of marijuana and alcohol and the misuse of prescription drugs by youth ages 12-19. The Department provided references to the National Registry of Evidence-based Programs and Practices (NREPP) in the grant application form. NREPP is a searchable online registry of more than 330 substance abuse and mental health interventions identified by the U.S. Department of Health and Human Services Substance Abuse and Mental Health Services Administration (SAMHSA).

Grant applicants were also required to describe how their proposed programs are designed to achieve the outcomes as identified in the legislation. These factors were key considerations for the grant proposal review team. Only those applicants who proposed validated, evidence-based programs or strategies that were clearly designed to achieve the outcomes were recommended for funding.

The Department has indicated that it "expects that determining whether the outcomes have been achieved could likely only be known in the long term". The Department's report on this program is due on November 1, 2015, to the Joint Budget Committee, the House Public Health Care and Human Services and Health, Insurance, and Environment Committees, and the Senate Health and Human Services Committee. The Department's report must include the programs or

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strategies delivered by grantees and the outcomes achieved or proposed to be achieved. To complete this report, the Department will require each grantee to provide summarized data including the number of students served, the program or strategy implemented, quantitative information about the outcomes achieved if possible, and/or qualitative information about outcomes proposed to be achieved.

*Mid-year Appropriation Adjustment.* The Committee recently approved a mid-year reduction of \$1,081,344 General Fund to reduce the FY 2014-15 appropriation to the maximum amount that the Department will spend for the grant program this fiscal year (\$918,656, including \$50,000 for administrative expenses). The Committee also introduced legislation (S.B. 15-167) to reduce the associated statutory transfer from the MTCF to the General Fund by \$1,151,631 (from \$2,130,000 to \$978,369). The transfer includes \$918,656 plus \$59,713 for the associated 6.5 percent reserve.

**Request:** The Department does not request any funding for the grant program for FY 2015-16.

**Recommendation:** Staff recommends approving the request. Given the anticipated reduction in available MTCF funds for FY 2015-16, staff believes it is reasonable to eliminate funding for this grant program for FY 2015-16. Given that only 21 applications were received and the total amount requested was less than \$900,000, a continued appropriation of \$2,000,000 does not seem warranted. Given the fact that this is a grant program, and given the size of the individual grant awards (ranging in size from \$11,952 to \$64,400) and the time frame for spending the funds (February through June 2015), it appears unlikely that grant recipients will use the funds to hire permanent staff. The Committee can reconsider whether to fund this grant program for FY 2016-17. At that time, more information should be available concerning the impact of marijuana legalization on Colorado youth, and the effectiveness of various substance abuse prevention and intervention strategies.

**Contract Reprocurement**

This line item provided a one-time appropriation to ensure that the transition to the new behavioral health organization (BHO) contracts on July 1, 2014, did not affect service delivery for Medicaid clients.

**Request:** The Department does not request any funding for this purpose for FY 2015-16.

**Recommendation:** Staff recommends approving the request.

## **Long Bill Footnotes and Requests for Information**

### **LONG BILL FOOTNOTES**

The only Long Bill footnote that impacts this section is #1, which concerns the submission of monthly expenditure and caseload reports. This footnote will be addressed through Eric Kurtz' March 9, 2015 figure setting packet. Staff does not recommend any new footnotes for FY 2015-16.

### **REQUESTS FOR INFORMATION**

Staff does not recommend any requests for information for FY 2015-16.

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**Appendix A: Number Pages**

	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Appropriation	FY 2015-16 Request	FY 2015-16 Recommendation
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<p><b>DEPARTMENT OF HEALTH CARE POLICY AND FINANCING</b>  <b>Sue Birch, Executive Director</b></p>
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**(3) BEHAVIORAL HEALTH COMMUNITY PROGRAMS**

This section provides for behavioral health services through the purchase of services from five regional behavioral health organizations (BHOs), which manage mental health and substance use disorder services for eligible Medicaid recipients in a capitated, risk-based model. This section also contains funding for Medicaid behavioral health fee-for-service programs for those services not covered within the capitation contracts and rates. The funding for this section is primarily from the General Fund and federal Medicaid funds. Cash fund sources include the Hospital Provider Fee Cash Fund and the Breast and Cervical Cancer Prevention and Treatment Fund.

Behavioral Health Capitation Payments	<u>301,303,046</u>	<u>415,933,333</u>	<u>553,659,183</u>	<u>620,621,342</u>	<u>645,729,591</u> *
General Fund	136,833,502	151,532,141	174,885,950	191,641,708	191,547,143
Cash Funds	13,513,748	12,402,378	4,403,548	4,902,675	5,621,589
Federal Funds	150,955,796	251,998,814	374,369,685	424,076,959	448,560,859
School-based Prevention and Intervention					
Substance Use Disorder Services	<u>0</u>	<u>0</u>	<u>4,363,807</u>	<u>4,216,324</u>	<u>4,365,859</u> *
General Fund	0	0	2,000,000	1,931,346	2,000,000
Federal Funds	0	0	2,363,807	2,284,978	2,365,859
Behavioral Health Fee-for-service Payments	<u>4,569,198</u>	<u>5,295,835</u>	<u>7,449,504</u>	<u>7,917,221</u>	<u>8,493,056</u> *
General Fund	2,253,518	2,475,020	2,457,126	2,576,708	2,779,611
Cash Funds	0	6,385	79,515	84,197	89,888
Federal Funds	2,315,680	2,814,430	4,912,863	5,256,316	5,623,557
School-based Substance Abuse Prevention and Intervention Grant Program	<u>0</u>	<u>0</u>	<u>868,656</u>	<u>0</u>	<u>0</u>
General Fund	0	0	868,656	0	0

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	<b>FY 2012-13 Actual</b>	<b>FY 2013-14 Actual</b>	<b>FY 2014-15 Appropriation</b>	<b>FY 2015-16 Request</b>	<b>FY 2015-16 Recommendation</b>
Contract Reprocurement	<u>0</u>	<u>0</u>	<u>203,752</u>	<u>0</u>	<u>0</u>
General Fund	0	0	101,876	0	0
Federal Funds	0	0	101,876	0	0
<b>TOTAL - (3) Behavioral Health Community Programs</b>	305,872,244	421,229,168	566,544,902	632,754,887	658,588,506
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	139,087,020	154,007,161	180,313,608	196,149,762	196,326,754
Cash Funds	13,513,748	12,408,763	4,483,063	4,986,872	5,711,477
Federal Funds	153,271,476	254,813,244	381,748,231	431,618,253	456,550,275

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## Appendix B: FY 2014-15 Behavioral Health Capitation Payments Calculation

Description	Eligibility Category							Total
	Individuals Adults Age 65+	Individuals With Disabilities Under Age 65	Parents/ Caretakers and Pregnant Adults	Adults Without Dependent Children	Children	Individuals In/ Formerly In Foster Care Under Age 27	Breast and Cervical Cancer Program	
<b>Estimated Weighted Capitation Rate (per member, per month):</b>								
First 6 months	\$13.67	\$144.34	\$23.58	\$62.58	\$18.95	\$211.67	\$10.22	
Second 6 months	\$13.93	\$147.55	\$26.66	\$57.30	\$18.88	\$214.24	\$26.66	
<b>Estimated Monthly Caseload:</b>								
First 6 months	42,052	79,452	240,408	214,360	484,053	20,151	436	1,080,912
Second 6 months	42,122	82,202	262,029	266,363	506,812	20,107	320	1,179,955
Full year	42,087	80,828	251,220	240,362	495,433	20,129	378	1,130,436
<b>Total Capitated Payments (per member, per month rate X monthly caseload):</b>								
First 6 months	\$3,449,105	\$68,808,610	\$34,012,924	\$80,487,893	\$55,036,826	\$25,592,173	\$26,736	\$267,414,266
Second 6 months	<u>3,520,557</u>	<u>72,773,431</u>	<u>41,914,159</u>	<u>91,575,599</u>	<u>57,411,663</u>	<u>25,846,342</u>	<u>51,187</u>	<u>293,092,938</u>
Full year	\$6,969,662	\$141,582,041	\$75,927,083	\$172,063,492	\$112,448,489	\$51,438,515	\$77,923	\$560,507,205
<b>Estimated Expenditures:</b>								
<u>First 6 months</u>								
Claims paid in current period	\$3,455,136	\$68,705,938	\$33,560,895	\$78,508,427	\$54,710,167	\$25,542,548	\$26,972	\$264,510,083
Claims from prior periods	(5,439)	100,808	454,722	1,984,502	324,533	49,390	(230)	2,908,286
<u>Second 6 months</u>								
Claims paid in current period	3,488,872	72,453,228	41,306,404	90,614,055	56,975,334	25,766,218	50,650	290,654,761
Claims from prior periods	<u>31,047</u>	<u>302,750</u>	<u>493,226</u>	<u>845,176</u>	<u>418,264</u>	<u>79,335</u>	<u>281</u>	<u>2,170,079</u>
Total Estimated Expenditures	\$6,969,616	\$141,562,724	\$75,815,247	\$171,952,160	\$112,428,298	\$51,437,491	\$77,673	\$560,243,209
Estimated date of death retractions	(79,810)	(323,664)	(10,442)	(37,260)	(4,134)	(6,508)	(693)	(462,511)
<b>Subtotal: Expenditures including date of death retractions</b>	<b>\$6,889,806</b>	<b>\$141,239,060</b>	<b>\$75,804,805</b>	<b>\$171,914,900</b>	<b>\$112,424,164</b>	<b>\$51,430,983</b>	<b>\$76,980</b>	<b>\$559,780,698</b>
<b>Adjustments:</b>								
MAGI Adults Rate Reconciliation (adjustment to correct systems issue that incorrectly categorized some adults)								(6,121,515)
<b>Subtotal: Revised Estimate of Behavioral Health Capitation Payments</b>								<b>\$553,659,183</b>
S.B. 14-215 (Disposition of Legal Marijuana Related Revenue)								<u>4,363,807</u>
<b>Total Revised Estimate of Behavioral Health Capitation Payments With S.B. 14-215 Funding</b>								<b>\$558,022,990</b>

The above data reflects the Department's most recent caseload and expenditure forecast for Behavioral Health Capitation Payments.

*JBC Staff Figure Setting – FY 2015-16  
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## Appendix C: FY 2015-16 Behavioral Health Capitation Payments Calculation

Description	Eligibility Category							Total
	Adults Age 65+	Individuals With Disabilities Under Age 65	Parents/ Caretakers and Pregnant Adults	Adults Without Dependent Children	Children	Individuals In/ Formerly In Foster Care Under Age 27	Breast and Cervical Cancer Program	
<b>Estimated Weighted Capitation Rate (per member, per month):</b>								
First 6 months	\$13.98	\$150.31	\$27.43	\$58.96	\$19.28	\$217.63	\$27.43	
Second 6 months	\$14.25	\$152.40	\$28.94	\$62.21	\$20.10	\$221.07	\$28.94	
<b>Estimated Monthly Caseload:</b>								
First 6 months	42,641	84,377	277,428	287,921	527,051	20,193	215	1,239,826
Second 6 months	43,299	85,892	287,988	286,557	545,828	20,280	142	1,269,986
Full year	42,970	85,135	282,708	287,239	536,440	20,237	179	1,254,906
<b>Total Capitated Payments (per member, per month rate X monthly caseload):</b>								
First 6 months	\$3,576,727	\$76,096,241	\$34,479,673	\$83,011,342	\$47,997,113	\$26,367,616	\$35,385	\$271,564,097
Second 6 months	<u>3,702,065</u>	<u>78,539,645</u>	<u>35,735,607</u>	<u>83,011,342</u>	<u>52,985,405</u>	<u>20,339,379</u>	<u>24,657</u>	<u>274,338,099</u>
Full year	\$7,278,792	\$154,635,886	\$70,215,280	\$166,022,684	\$100,982,518	\$46,706,995	\$60,042	\$545,902,196
<b>Estimated Expenditures:</b>								
<u>First 6 months</u>								
Claims paid in current period	\$3,544,536	\$75,761,418	\$44,997,043	\$100,785,456	\$60,505,894	\$26,285,876	\$35,013	\$311,915,236
Claims from prior periods	31,685	320,203	607,755	961,544	436,329	80,124	537	2,438,177
<u>Second 6 months</u>								
Claims paid in current period	3,668,746	78,194,071	49,281,146	105,837,183	65,326,573	26,816,409	24,398	329,148,526
Claims from prior periods	<u>32,191</u>	<u>334,823</u>	<u>662,057</u>	<u>1,069,477</u>	<u>463,366</u>	<u>81,740</u>	<u>259</u>	<u>2,643,913</u>
Total Estimated Expenditures	\$7,277,158	\$154,610,515	\$95,548,001	\$208,653,660	\$126,732,162	\$53,264,149	\$60,207	\$646,145,852
Estimated date of death retractions	(71,829)	(291,298)	(9,398)	(33,534)	(3,721)	(5,857)	(624)	(416,261)
<b>Subtotal: Expenditures including date of death retractions</b>	<b>\$7,205,329</b>	<b>\$154,319,217</b>	<b>\$95,538,603</b>	<b>\$208,620,126</b>	<b>\$126,728,441</b>	<b>\$53,258,292</b>	<b>\$59,583</b>	<b>\$645,729,591</b>
<b>Adjustments:</b>								
S.B. 14-215 (Disposition of Legal Marijuana Related Revenue)								<u>4,365,859</u>
<b>Total Estimated Behavioral Health Capitation Payments</b>								<b>\$650,095,450</b>
<b>Decision Items:</b>								
R8 (Children with autism waiver)								<u>0</u>
<b>Total Request</b>								<b>\$650,095,450</b>

The above data reflects the Department's most recent caseload and expenditure forecast for Behavioral Health Capitation Payments.