M E M O R A N D U M

TO: **Joint Budget Committee**

FROM: **Eric Kurtz, JBC Staff (303-866-4952)**

SUBJECT: **Department of Human Services, Services for People with Disabilities Staff Comebacks**

DATE: **March 18, 2010**

1. At figure setting, the JBC staff promised additional information on the need for Early Intervention Services. Between FY 2007-08 and FY 2008-09 average monthly enrollment in Early Intervention Services grew 24 percent, and through January 2010 the average monthly enrollment is up another 5.5 percent. Staff believes some of this (particularly the large growth in FY 2008-09) is attributable to changes in reporting leading to a more accurate count of the total population. The reporting changes coincide with the transfer of administration for the program from the Department of Education to the Department of Human Services, and increasing resistance from local governments to using mill levy dollars for Early Intervention. The Department attributes the increasing population to better identification of children needing services by physicians and child welfare case workers.

   If the current trend continues and in FY 2010-11 there is another 5.5 percent growth, the Department estimates almost $3.0 million General Fund would be needed to continue providing the same average funds per child as in the current year. Please note that the amounts in the table on the next page represent the portions of larger line items that are dedicated to direct services, and so will not match to the total appropriation.

Early Intervention Services Program Projections

Funds Available for Direct Services and Service Coordination	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
State EI Appropriation		$ 12,337,054	$ 12,337,054	$ 12,337,054
Part C Grant Funds		$ 5,563,783	$ 6,023,620	$ 6,023,620
ARRA Fund (Part C)		$ 3,560,482	$ 2,539,518	$ -
Total		$ 21,461,319	$ 20,900,192	$ 18,360,674
Projected Caseload Growth				
Projected Percent Growth		5.5%	5.5%	5.5%
Unduplicated Average Number of Children Served Per Month*	5,322	5,615	5,924	6,249
Less Children Served with Trust Funds**		-932	-887	-936
Less Children Served with Medicaid**		-831	-887	-936
Total Average Number of Children Per Month Needing State Funding		3,852	4,150	4,378
Appropriated Amount Per Child		$ 5,703	$ 5,703	$ 5,703
Projected Expenditures		$ 21,966,302	$ 23,664,707	$ 24,966,266
Use contingency reserve		$ 300,000		
Accelerate the use of ARRA		$ 204,983	$ (204,983)	
Balance*:**		**$ (0)**	**$ (2,969,498)**	**$ (6,605,592)**

* The Average Monthly Served is used because it is a more accurate representation of ongoing costs.
** A 15% utlization rate was used in FY 2010-11 and FY 2011-12 rather than
*** The projected over expenditures in FY 2009-10 will be covered in with ARRA if needed.

The Department did not request funding. When asked how the Department planned to manage the projected population growth within existing resources, the Department listed the following strategies it would consider pursuing:

a. *Tighten eligibility criteria* -- Currently children with a 25 percent delay, or 1.5 standard deviations, in one or more areas of development are eligible for services. For FY 2010-11 the Department could increase the criteria to a 33 percent delay, or 2.0 standard deviations.

b. *Increase probability rate for established conditions* -- Currently there are 347 established conditions where the probability of a developmental delay is greater than 50 percent. Children with these established conditions are presumed eligible for services without further testing. For FY 2010-11 the Department could limit the established conditions that are presumed eligible to those with a 75 percent probability of a developmental delay. The Department expects that some of the children would eventually qualify for services under different criteria, but the determination of eligibility would be delayed approximately 6 months.

c. *Increase utilization of Child Health Plan Plus (CHP+)* -- The Department indicates that there are 270 children known to have CHP+ insurance who received services paid with General Fund Early Intervention dollars instead of CHP+. According to the Department, the barrier to increased utilization of CHP+ is identifying CHP+ providers with the necessary expertise who are also able to work in the child's natural environment (typically a home or child care setting). The Department indicated it would take 6 months to establish procedures to maximize the utilization of CHP+. The Department did not explain what those procedures would involve. This strategy would shift costs from Early Intervention to the CHP+ program, but CHP+ expenditures are matched at a 35 percent General Fund 65 percent federal funds rate.

d. *Improve the annual assessment of continuing need for services* -- EI services are supposed to be discontinued if children reach typical development in all areas, as determined in an annual needs assessment. If regression occurs, services can be restarted. In FY 2008-09 495 children did not qualify to receive special education services in the preschool system after receiving EI services because they met typical developmental milestones. The Department speculates that with training of assessment teams and more rigorous exit criteria some children could be successfully discharged from the program earlier than current practice.

e. *Reduce administration and program coordination* -- Federal Part C dollars are primarily intended to develop a statewide outreach and service delivery system, but they may be used for direct services. The Department allocated $4.7 million to direct care in FY 2009-10 and anticipates it could increase the allocation by $200,000 in FY 2010-11 and still meet federal statewide coordination standards.

f. *Serve multiple children in an inclusive setting* -- Federal law requires states to provide services in natural environments. The Department hopes to encourage more services to be provided in inclusive settings where children already spend time, such as preschool or childcare settings, rather than the home, in order to encourage efficiency. The Department could not quantify the potential savings from this strategy.

g. *Discontinue participation in the federal Part C grant for FY 2012-13* -- Accepting the federal grant requires, among other things, that the state provide assurance that all eligible children are served. Beginning in FY 2012-13 Colorado could discontinue participation without having to pay back ARRA money.

The table on the next page summarizes the Department's estimate of the range of savings and service impact associated with each of these strategies.

Cost Reduction Strategy	Reduction in People Served		Dollars	
	low	high	low	high
Tighten eligibility criteria	111	185	$633,033	$1,055,055
Increase probability rate for established conditions	6 month delay in eligibility	101	288,001	576,003
Increase utilization of CHP+	none	none	578,475	1,156,950
Improve annual assessment of eligibility	successful discharge 1 month earlier	successful discharge 2 months earlier	352,873	705,746
Reduce administration and coordination	serve 35 more	serve 35 more	200,000	200,000
Serve multiple children in inclusive setting	none	none	unknown	unknown
Discontinue participation in Part C	1,917	1,917	eliminate mandate to serve all eligible children	eliminate mandate to serve all eligible children
		TOTAL	$2,052,382	$3,693,754

Staff recommends an increase of $1.7 million General Fund for Early Intervention Services and the following request for information:

N Department of Human Services, Services for People with Disabilities, Community Services for People with Developmental Disabilities, Program Costs, Early Intervention Services -- The Department is requested to notify the Joint Budget Committee before implementing any cost containment strategy expected to result in significant decreases in the number of people eligible for early intervention services. The notification should include discussion of alternative strategies, including but not limited to provider rate reductions and increasing payments from non-General Fund sources, and an estimate of the cost of serving the projected population without reducing eligibility.

Staff recommends the increase in appropriations and the footnote to prevent a reduction in the number of people served. The presence or absence of early intervention services correlates with expenditures on special education and developmental disability services later in life. Early intervention services don't necessarily eliminate these other expenditures, nor do they reduce expenditures in every case, but it appears that they make a difference in enough cases to justify continuing to cast a wide net to try to identify cases where children might benefit. If the JBC needs to reduce expenditures for developmental disability services, staff would recommend that the JBC consider reducing Family Support Services before reducing eligibility for early intervention. The Department doesn't have nearly the data and research to support Family Support Services as it has to support early intervention.

The amount recommended by staff is less than the total shortfall estimated by the Department for a couple of reasons. First, staff is not sure the General Assembly should assume another 5.5 percent growth in the eligible population. If enrollment grows at 1.7 percent, the rate projected by Legislative Council Staff for growth in the statewide population in calendar year

2010, the estimated shortfall would be just slightly more than the $1.7 million General Fund recommended by staff. Second, the Department did not include in the options a provider rate reduction, which staff believes is a viable alternative method for reducing expenditures that would be consistent with the JBC's actions on Medicaid-funded DD services. Third, the Department has identified some strategies that would reduce expenditures without negatively impacting the eligible population that appear worth pursuing to staff.

2. Staff made a technical error in adding back funds for the one-time fourlough savings for the Regional Centers, Personal Services line item by double-counting the supplemental furlough adjustment. **To correct the technical error, staff recommends a reduction of $569,484 Medicaid from what the JBC previously approved for the Regional Centers, Personal Services line item.**

3. Staff made a technical error in calculating the Health, Life, and Dental decrease for the closure of the Skilled Nursing Facility at Grand Junction, using the monthly rate rather than the annual rate for the cost savings for the additional reduction beyond the Department's request that was recommended by the JBC staff. **To correct the technical error, staff recommends an additional reduction of $33,656 Medicaid from what the JBC previously approved for the Health, Life, and Dental adjustment associated with the closure of the SNF.** This slightly reduces the provider fee revenue, too, by $1,683.

4. Staff recommended, and the JBC approved, the Department's request for continuation funding of leased space for the Regional Centers. The Department now indicates that it doesn't need $30,000 Medicaid for leased space at the Wheat Ridge Regional Center due to downsizing approved by the JBC last year and consolidation of placements. **Based on the new information submitted by the Department, staff recommends a reduction of $30,000 Medicaid from the leased space amount for the Regional Centers previously approved by the JBC.**

5. In addition to the Department's request for the closure of the Skilled Nursing Facility at Grand Junction, staff recommended a reduction in facility maintenance costs. Staff allocated all of the reduction to the Regional Center, Operating Expenses line item. After discussing the reduction with the Department, staff believes the money should have come from the Office of Operations, and some of it should have come from personal services. Specifically, **staff recommends replacing the $183,073 Medicaid reduction to the Regional Centers, Operating Expenses with the following Medicaid reductions:**

Line Item	Amount	FTE
Office of Operations		
Personal Services	(60,808)	(1.0)
Operating	(120,165)	
Executive Director's Office		
Short Term Disability	(84)	
Amortization Equalization Disbursment (AED)	(1,199)	
Supplemental AED	(817)	

COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE

FY 2010-11 STAFF FIGURE SETTING

DEPARTMENT OF HUMAN SERVICES
(Services for People with Disabilities and Related Administrative Programs)

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

Prepared By:
Eric Kurtz, JBC Staff
March 15, 2010

For Further Information Contact:

Joint Budget Committee Staff
200 E. 14th Avenue, 3rd Floor
Denver, Colorado 80203
Telephone: (303) 866-2061
TDD: (303) 866-3472

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation		FY 2010-11 Request		Staff Rec.	Change Requests

Beginning in FY 2008-09, appropriations reflect eliminating the cash funds exempt category of appropriation and replacing it with reappropriated funds. Reappropriated funds are those moneys that are appropriated for a second or more time in the same fiscal year. Cash funds exempt reflected cash funds that were estimated to be exempt from the limitations of Article X, Section 20 of the State Constitution (TABOR). Moneys that were previously categorized as cash funds exempt that were not reappropriated funds were characterized in the new budget format as cash funds, regardless of the TABOR status of the funds.

DEPARTMENT OF HUMAN SERVICES
EXECUTIVE DIRECTOR: Karen Beye

(9) SERVICES FOR PEOPLE WITH DISABILITIES
Primary functions: Administers community-based and institutional services for people with developmental disabilities, provides vocational rehabilitation services, and administers the Homelake Domiciliary and veterans nursing homes.

(A) Community Services for People with Developmental Disabilities
Primary functions: Funding for 20 Community Centered Boards (CCBs), and contracting service agencies, to: (1) deliver community-based residential and supported living services for adults with developmental disabilities; and (2) deliver early intervention, family support services, and children's extensive support services for children with developmental disabilities and delays. Also, funds associated case management by CCBs and state administration and oversight. Medicaid revenue is the primary source of reappropriated funds; local and client payments to CCBs are reflected as cash funds.

(1) Administration

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation		FY 2010-11 Request		Staff Rec.	Change Requests
Personal Services	2,441,163	2,639,111	2,884,078	**S**	2,910,136	**A**	2,944,833	SBA #6 SB 08-002
FTE	30.1	32.8	35.0		34.8		36.0	
General Fund	247,613	273,646	279,055		281,264		229,210	
CF - private ins. Early Intervention Services Trust Func	0	33,000	40,765		0		79,704	
RF/CFE - Medicaid	2,193,550	2,332,465	2,564,258		2,628,872		2,635,919	
Operating Expenses	148,013	151,295	159,922		136,634	A	143,019	SBA #6 SB 08-002
CF - private ins. Early Intervention Services Trust Func	0	0	6,178		0		7,128	SBA #8 Op. reduc.
RF/CFE - Medicaid	148,013	151,295	153,744		136,634		135,891	
Community and Contract Management System	137,216	137,480	137,480		137,480		137,480	
General Fund	41,244	41,244	41,244		41,244		41,244	

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation		FY 2010-11 Request		Staff Rec.	Change Requests
RF/CFE - Medicaid	95,972	96,236	96,236		96,236		96,236	
Medicaid Waiver Transition Costs	568,823	79,028	93,140		93,140		79,663	
General Fund	559,610	0	0		0		0	
RF/CFE - Medicaid	9,213	79,028	93,140		93,140		79,663	
Subtotal - (1) Administration	3,295,215	3,006,914	3,274,620		3,277,390		3,304,995	
FTE	30.1	32.8	35.0		34.8		36.0	
General Fund	848,467	314,890	320,299		322,508		270,454	
CF - private ins. Early Intervention Services Trust Func	0	33,000	46,943		0		86,832	
RF/CFE - Medicaid	2,446,748	2,659,024	2,907,378		2,954,882		2,947,709	
Net General Fund	*2,071,841*	*1,644,402*	*1,773,988*		*1,799,949*		*1,744,309*	
(2) Program Costs								
Adult Comprehensive Services	208,655,652	248,063,888	269,695,435		268,338,119		269,003,958	BR #4 - 2% dec.
General Fund	1,523,193	693,077	1,650,459		1,650,459		1,650,459	SBA #5 GJRC
CF - client cash	0	28,340,125	30,405,764		30,517,239		30,798,627	
RF/CFE - Medicaid	207,132,459	219,030,686	237,639,212	**S**	236,170,421	**A**	236,554,872	
Adult Supported Living Services	46,431,134	53,934,755	53,301,167		52,359,154		52,317,915	BR #4 - 2% dec.
General Fund	7,403,678	7,543,037	7,974,941		7,974,941		7,974,941	
RF/CFE - Medicaid	39,027,456	46,391,718	45,326,226	**S**	44,384,213		44,342,974	
Early Intervention Services								
General Fund	10,809,324	11,062,198	11,098,328		11,098,328		11,098,328	
Family Support Services								
General Fund	6,028,673	2,629,871	6,405,926	**S**	6,507,966		6,117,659	
Children's Extensive Support Services	5,756,235	6,913,410	6,753,676	**S**	6,576,446		6,576,446	BR #4 - 2% dec.
RF/CFE - Medicaid	5,756,235	5,920,644	5,686,590		5,537,360		5,537,362	
RF/CFE - Health Care Expansion Fund	0	992,766	1,067,086		1,039,086		1,039,084	

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation		FY 2010-11 Request		Staff Rec.	Change Requests
Case Management and Quality Assurance	19,718,750	18,114,887	22,761,753	S	22,266,467		22,370,389	BR #4 - 2% dec.
General Fund	2,986,639	3,021,894	3,888,010		3,888,010		3,888,010	
RF/CFE - Medicaid	16,732,111	12,925,640	18,802,801		18,307,605		18,413,299	
RF/CFE - Health Care Expansion Fund	0	2,167,353	70,942		70,852		69,080	
Special Purpose	320,982	536,025	529,314	S	879,572		879,572	BR #4 - 2% dec.
General Fund	320,982	503,523	0		360,844		360,844	
RF/CFE - Medicaid	0	32,502	38,000		37,240		37,240	
RF/CFE - Division of Voc. Rehab.	0	0	491,314		481,488		481,488	
Hold Harmless								
General Fund	1,511,289	0	0		0		0	
Subtotal - (2) Program Costs	299,232,039	341,255,034	370,545,599		368,026,052		368,364,267	
General Fund	30,583,778	25,453,600	31,017,664		31,480,548		31,090,241	
CF - client cash	0	28,340,125	30,405,764		30,517,239		30,798,627	
RF/CFE - Medicaid	268,648,261	284,301,190	307,492,829		304,436,839		304,885,747	
RF/CFE - Health Care Expansion Fund	0	3,160,119	1,138,028		1,109,938		1,108,164	
RF/CFE - Division of Voc. Rehab.	0	0	491,314		481,488		481,488	
Net General Fund	*164,907,909*	*167,604,195*	*184,764,079*		*183,698,968*		*183,533,115*	
(3) Other Community Programs								
Federal Special Education Grant for Infants, Toddlers and Their Families (Part C)								
Federal Funds	6,659,417	9,275,752	10,396,841	S	8,663,047	A	8,663,047	
FTE	6.3	6.4	6.5		6.5		6.5	
Federally-matched Local Program Costs								
RF/CFE - locally matched Medicaid	3,641,910	0	0		0		0	
Custodial Funds for Early Intervention Services	130,345	3,968,001	6,327,142		7,857,835		7,769,177	
FTE	0.0	0.0	0.0		2.0		0.0	
CF - private insurance	0	3,968,001	6,327,142		7,857,835		7,769,177	

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation	FY 2010-11 Request	Staff Rec.	Change Requests
RF/CFE - private insurance	130,345	0	0	0	0	
Preventive Dental Hygiene	63,386	64,337	64,337	63,051	63,051	BR #4 - 2% dec.
General Fund	59,725	60,621	60,621	59,409	59,409	
CF - local contributions	0	3,716	3,716	3,642	3,642	
RF/CFE - local contributions	3,661	0	0	0	0	
Developmental Disability Navigator Pilot (H.B. 08-1031)						
General Fund	n/a	0	0	0	0	
Subtotal - (3) Other Community Programs	10,495,058	13,308,090	16,788,320	16,583,933	16,495,275	
FTE	6.3	6.4	6.5	8.5	6.5	
General Fund	59,725	60,621	60,621	59,409	59,409	
CF - private insurance	0	3,968,001	6,327,142	7,857,835	7,769,177	
CF - local contributions	0	3,716	3,716	3,642	3,642	
RF/CFE - locally matched Medicaid	3,641,910	0	0	0	0	
RF/CFE - private insurance	130,345	0	0	0	0	
RF/CFE - local contributions	3,661	0	0	0	0	
Federal Funds	6,659,417	9,275,752	10,396,841	8,663,047	8,663,047	
Net General Fund	*59,725*	*60,621*	*60,621*	*59,409*	*59,409*	
Subtotal - (A) Community Services for People with Developmental Disabilities	313,022,312	357,570,038	390,608,539	387,887,375	388,164,537	
FTE	36.4	39.2	41.5	43.3	42.5	
General Fund	31,491,970	25,829,111	31,398,584	31,862,465	31,420,104	
Cash Funds	0	32,344,842	36,783,565	38,378,716	38,658,278	
Reappropriated Funds/Cash Funds Exempt	274,870,925	290,120,333	312,029,549	308,983,147	309,423,108	
Federal Funds	6,659,417	9,275,752	10,396,841	8,663,047	8,663,047	
Net General Fund	*167,039,475*	*169,309,218*	*186,598,688*	*185,558,326*	*185,336,833*	

(B) Regional Centers for People with Developmental Disabilities

Primary functions: operates three regional centers that house and provide therapeutic and other services to individuals with developmental

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation		FY 2010-11 Request		Staff Rec.	Change Requests
disabilities. Reappropriated funds amounts reflect Medicaid revenue. Cash amounts primarily reflect consumer payments for room and board.								
(1) Medicaid-funded Services								
Personal Services	43,284,413	43,447,597	48,520,254		46,144,291	**A**	44,958,263	
FTE	935.6	909.3	977.2		931.7		927.1	
CF - Client Cash	2,654,879	2,655,326	2,266,643		2,290,436		2,060,389	SBA #5 GJRC
RF/CFE - Medicaid	40,629,534	40,792,271	46,253,611	**S**	43,853,855		42,897,874	
Operating Expenses								
RF/CFE - Medicaid	2,327,065	2,450,988	2,682,866	**S**	2,430,607	**A**	2,256,385	SBA #5 GJRC SBA #8 Op. reduc.
Capital Outlay - Patient Needs								
RF/CFE - Medicaid	80,249	80,080	241,428	**S**	72,126	**A**	72,126	SBA #5 GJRC
Leased Space								
RF/CFE - Medicaid	200,209	189,377	72,820		72,820		72,820	
Resident Incentive Allowance								
RF/CFE - Medicaid	138,176	137,550	138,176		138,176		138,176	
Purchase of Services								
RF/CFE - Medicaid	263,291	261,601	255,479		242,625	**A**	0	SBA #5 GJRC
Provider Fee								
RF/CFE - Medicaid	N.A.	N.A.	N.A.		N.A.		1,867,655	
Subtotal - (1) Medicaid-funded Services	46,293,403	46,567,193	51,911,023		49,100,645		49,365,425	
FTE	935.6	909.3	977.2		931.7		927.1	
CF - Client Cash	2,654,879	2,655,326	2,266,643		2,290,436		2,060,389	
RF/CFE - Medicaid	43,638,524	43,911,867	49,644,380		46,810,209		47,305,036	
Net General Fund	*21,819,262*	*21,955,934*	*22,729,309*		*21,312,224*		*21,784,863*	

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation		FY 2010-11 Request		Staff Rec.	Change Requests
(2) Other Program Costs								
General Fund Physician Services								
General Fund	244,460	153,133	85,371	**S**	86,089	**A**	86,089	
FTE	1.5	0.4	0.5		0.5		0.5	
ICF/MR Adaptations								
General Fund	n/a	236,128	0		0		0	
Subtotal - (2) Other Program Costs								
General Fund	244,460	389,261	85,371		86,089		86,089	
FTE	1.5	0.4	0.5		0.5		0.5	
Subtotal - (B) Regional Centers	46,537,863	46,956,454	51,996,394		49,186,734		49,451,514	
FTE	937.1	909.7	977.7		932.2		927.6	
General Fund	244,460	389,261	85,371		86,089		86,089	
Cash Funds	2,654,879	2,655,326	2,266,643		2,290,436		2,060,389	
Reappropriated Funds/Cash Funds Exempt	43,638,524	43,911,867	49,644,380		46,810,209		47,305,036	
Net General Fund	*22,063,722*	*22,345,195*	*22,814,680*		*21,398,313*		*21,870,952*	

Subtotal - (C) Work Therapy Program

(Primary functions: Provide sheltered work opportunities to residents of state operated regional centers and the Mental Health Institute at Fort Logan. Cash amounts reflect payments from private businesses and government agencies for work completed.)

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation	FY 2010-11 Request	Staff Rec.	Change Requests
Program Costs	398,024	348,922	467,116	467,116	467,116	
FTE	1.5	0.2	1.5	1.5	1.5	
CF - sales/services	305,646	348,922	467,116	467,116	467,116	
RF/CFE - sales/services	92,378	0	0	0	0	

(D) Division of Vocational Rehabilitation

(Primary functions: provides the services and equipment necessary to help individuals with disabilities secure and/or retain employment. Funds Independent Living Centers to provide assisted living and advocacy services to persons with disabilities. Cash and reappropriated funds amounts reflect payments from collaborating agencies, such as school districts, for vocational services.)

FY 2010-11 Joint Budget Committee Staff Figure Setting Recommendations
Department of Human Services
(Services for People with Disabilities, and related administrative functions)

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation		FY 2010-11 Request		Staff Rec.	Change Requests
Rehabilitation Programs - General Fund Match	23,689,950	18,791,445	19,416,945	S	19,354,604	A	19,406,937	BR #4 - 2% dec.
FTE	215.8	211.7	224.7		224.7		225.7	SBA #8 Op. reduc.
General Fund	5,044,183	4,003,175	4,129,395		4,119,383		4,130,530	
Federal Funds	18,645,767	14,788,270	15,287,550		15,235,221		15,276,407	
Rehabilitation Programs - Local Funds Match	24,571,732	19,146,970	23,741,759	S	23,570,676		31,432,400	BR #4 - 2% dec.
FTE	19.8	10.0	18.0		18.0		18.0	
CF - local communities	64,968	1,034,287	34,835		34,946		34,735	
RF/CFE - schools and state agencies	6,621,923	3,276,251	5,037,394		5,000,842		6,675,600	
Federal Funds	17,884,841	14,836,432	18,669,530		18,534,888		24,722,065	
American Reinvestment and Recovery Act - Vocational Rehabilitation Funding								
Federal Funds	n/a	n/a	3,653,522		1,826,761		1,826,761	
Business Enterprise Program for People who are Blind	791,220	451,065	959,220	S	1,191,520		1,191,520	DI #9 - technical
FTE	6.4	6.0	6.0		6.0		6.0	
CF - sales/services	128,770	96,079	203,599		253,079		253,079	
RF/CFE - sales/services	39,802	0	0		0		0	
Federal Funds	622,648	354,986	755,621		938,441		938,441	
Business Enterprise Program - Program Operated Stands, ~~Repair Costs~~, and Operator Benefits	319,843	241,168	659,000		429,000		429,000	DI #9 - technical
CF - sales/services	161,169	125,718	477,990		429,000		429,000	
RF/CFE - sales/services	26,644	0	0		0		0	
Federal Funds	132,030	115,450	181,010		0		0	
Independent Living Centers and State Independent Living Council	1,700,182	1,818,648	1,934,636		1,844,160		1,844,160	BR #4 - 2% dec.
General Fund	1,366,848	1,487,351	1,487,351		1,457,604		1,457,604	
CF - independent living grantees	0	44,902	29,621		29,621		29,621	
RF/CFE - independent living grantees	44,902	0	0		0		0	
Federal Funds	288,432	286,395	417,664		356,935		356,935	

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation		FY 2010-11 Request		Staff Rec.	Change Requests
Older Blind Grants	0	450,710	698,789		698,789		698,789	
CF - recipient match		45,000	45,000		45,000		45,000	
Federal Funds		405,710	653,789		653,789		653,789	
Traumatic Brain Injury Trust Fund/a								
CF - surcharges for certain driving violations	1,811,115	2,391,227	3,649,859	**S**	3,296,647	**A**	3,296,652	
FTE	1.4	1.1	1.5		1.5		1.5	
Federal Social Security Administration Reimbursement								
Federal Funds	n/a	535,967	813,741		813,741		813,741	
Study of Employment of Persons with Developmental Disabilities (S.B. 08-004)								
General Fund	n/a	34,293	50,875		50,875		0	
FTE		0.5	1.0		1.0		0.0	
Subtotal - (D) Vocational Rehabilitation	52,884,042	43,861,493	55,578,346		53,076,773		60,939,960	
FTE	243.4	229.3	251.2		251.2		251.2	
General Fund	6,411,031	5,524,819	5,667,621		5,627,862		5,588,134	
Cash Funds	2,166,022	3,737,213	4,440,904		4,088,293		4,088,087	
Reappropriated Funds/Cash Funds Exempt	6,733,271	3,276,251	5,037,394		5,000,842		6,675,600	
Federal Funds	37,573,718	31,323,210	40,432,427		38,359,776		44,588,139	
Net General Fund	*6,411,031*	*5,524,819*	*5,667,621*		*5,627,862*		*5,588,134*	

/a FY 2007-08 actuals shown for informational purposes and not included in totals. The line item was located in the Mental Health and Alcohol and Drug Abuse Servi

(E) Homelake Domiciliary and State and Veterans Nursing Homes

Primary Functions: Operation and management of the six state and veterans nursing homes and Homelake Domiciliary. Cash Funds (formerly Cash Funds Exempt) reflect client fees. Cash funds and federal funds are for information only. The nursing homes are enterprises and have continuous spending authority.

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation	FY 2010-11 Request	Staff Rec.	Change Requests
Homelake Domiciliary State Subsidy						
General Fund	178,888	186,120	186,130	186,130	186,130	
Nursing Home Consulting Services						

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation		FY 2010-11 Request	Staff Rec.	Change Requests
General Fund	195,627	304,502	0	S	0	0	
Nursing Home Indirect Cost Subsidy							
General Fund	541,925	800,000	800,000		800,000	800,000	
Program Costs	44,427,166	51,857,702	54,428,011		54,428,011	54,428,011	
FTE	625.3	649.0	673.4		673.4	673.4	
CF - client cash	1,871	41,423,892	42,453,849		42,453,849	42,453,849	
RF/CFE - client cash	34,601,827	78	0		0	0	
Federal Funds	9,823,468	10,433,732	11,974,162		11,974,162	11,974,162	
Subtotal - (E) Homelake Domiciliary and State and Veterans Nursing Homes	45,343,606	53,148,324	55,414,141		55,414,141	55,414,141	
FTE	625.3	649.0	673.4		673.4	673.4	
General Fund	916,440	1,290,622	986,130		986,130	986,130	
CF - client cash	1,871	41,423,892	42,453,849		42,453,849	42,453,849	
RF/CFE - client cash	34,601,827	78	0		0	0	
Federal Funds	9,823,468	10,433,732	11,974,162		11,974,162	11,974,162	
Net General Fund	*916,440*	*1,290,622*	*986,130*		*986,130*	*986,130*	
(9) TOTAL - SERVICES FOR PEOPLE WITH DISABILITIES	458,185,847	501,885,231	554,064,536		546,032,139	554,437,268	
FTE	1,843.7	1,827.4	1,945.3		1,901.6	1,896.2	
General Fund	39,063,901	33,033,813	38,137,706		38,562,546	38,080,457	
Cash Funds	5,128,418	80,510,195	86,412,077		87,678,410	87,727,719	
Cash Funds Exempt/Reappropriated Funds	359,936,925	337,308,529	366,711,323		360,794,198	363,403,744	
Federal Funds	54,056,603	51,032,694	62,803,430		58,996,985	65,225,348	
Net General Fund	*196,430,668*	*198,469,854*	*216,067,119*		*213,570,631*	*213,782,049*	

(1) EXECUTIVE DIRECTOR'S OFFICE
(B) Special Purpose

FY 2010-11 Joint Budget Committee Staff Figure Setting Recommendations
Department of Human Services
(Services for People with Disabilities, and related administrative functions)

	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Appropriation	FY 2010-11 Request		Staff Rec.	Change Requests
Developmental Disabilities Council							
Federal Funds	827,992	990,742	872,614	874,882	**A**	875,525	
FTE	5.0	4.4	6.0	6.0		6.0	
Colorado Commission for the Deaf and Hard of Hearing	736,159	770,625	1,057,962	1,037,992	**A**	1,037,999	
FTE	1.9	2.7	4.4	5.8		5.8	
General Fund	131,161	131,079	131,442	127,809		127,809	
Cash Funds	0	87	135,189	92,462		0	
RF - Deaf and Hard of Hearing Cash Fund	604,998	639,459	791,331	817,721		910,190	
Colorado Commission for Individuals who are Blind or Visually Impaired							
RF - Deaf and Hard of Hearing Cash Fund	23,448	51,121	112,067	112,067		112,067	
FTE	0.0	0.1	1.0	1.0		1.0	

FY 2010-11 Figure Setting
DEPARTMENT OF HUMAN SERVICES
Services for People with Disabilities

(9) SERVICES FOR PEOPLE WITH DISABILITIES

The Services for People with Disabilities section includes: Community Services for People with Developmental Disabilities, Regional Centers for People with Disabilities, Work Therapy Program, the Division of Vocational Rehabilitation, and Homelake Domiciliary and the State and Veterans Nursing Homes.

(A) Community Services for People with Developmental Disabilities

Private, community-based providers funded through this subsection deliver the majority of services for people with developmental disabilities. State-operated regional centers (funded in the next subsection) serve a much smaller, mostly higher risk, population in comparison. Nonprofit Community Centered Boards (CCBs) designated by the executive director of the Department serve as the point of entry, determining eligibility for services and providing case management. There are 20 CCBs, each with a distinct geographic service area.

Most services are provided with Medicaid funds transferred from the Department of Health Care Policy and Financing (HCPF). The General Assembly appropriates to HCPF General Fund to match federal funds for the Medicaid program, typically in a ratio of 50 percent General Fund and 50 percent federal funds, although special circumstances sometimes change the ratio. The long-term habilitation services needed by people with developmental disabilities are different enough from standard medical services funded through Medicaid that states negotiate with the federal government special waivers from the Medicaid program, so that selected services can be provided in greater quantities and for longer durations than would be possible through the standard Medicaid program. Significantly, the waivers also allow the state to limit the number of program participants. As a result, there are waiting lists for services.

Other major fund sources include General Fund, private insurance payments to the Early Intervention Services Trust Fund, and federal funds through Part C of the Individuals with Disabilities Education Act for early intervention services for very young people. The Department also receives General Fund for some services not covered by Medicaid, such as preventive dental hygiene, home modifications through family support services, and a small number of people who don't meet Medicaid income qualifications.

This subsection does not include the funding for special education services through school districts (see the Department of Education). Special education is the primary source of public support for school-age people with developmental disabilities. Also, this subsection does not reflect federal Supplemental Security Income (SSI) and some smaller, similar federal financial assistance programs. Eligibility for SSI is based on household income, including parental income to age 18. The maximum monthly SSI benefit in 2010 is $674 ($8,088 annually). Of the adults with developmental disabilities served by the Division, roughly 95 percent receive SSI benefits each year. Only a small fraction of the children served by the Division receive SSI, due to the inclusion of parental income in the eligibility determination.

(1) Administration

Personal Services

Description: This line item supports the staff of the Division for Developmental Disabilities who oversee state programs for persons with developmental disabilities. Although the line item is located in the Community Services subsection, these staff also guide programs of the state-operated regional centers.

Request: The Department requests SBA #6 for an increase of $45,007 (including $22,504 net General Fund) and 0.8 FTE to complete implementation of S.B. 08-002 (Boyd/Soper). This bill allowed (but did not require) the Department of Human Services to purchase services for clients with developmental disabilities from qualified family members. The Legislative Council Staff Fiscal Note for the bill assumed that the Department would receive the necessary federal approval July 1, 2009 and purchase services from family members for 700 people in FY 2009-10. The Fiscal Note anticipated that beginning in FY 2010-11 the Department would need additional money for program quality monitoring.

Also, the Department's FY 2010-11 request assumes the spending authority and FTE to implement H.B. 09-1237 (Primavera/Schaffer B.) will be appropriated to the Custodial Funds for Early Intervention Services line item rather than the Administration subdivision. House Bill 09-1237 changed private insurance coverage of early intervention services, resulting in increased payments to the Early Intervention Services Trust Fund. It included an appropriation for administrative staff to receive and disburse moneys, reconcile accounts, and perform other record keeping. The JBC Appropriations Report assumed that $40,765 cash funds and 1.0 FTE spending authority to implement H.B. 09-1237 would be accounted for in this line item (this is how the funding is reflected in the JBC staff numbers pages, too). But, the appropriation clause for the bill did not specify a particular subdivision or line item where the Department had to account for the spending, and the Department is currently recording expenditures to implement H.B. 09-1237 with the Custodial Funds for Early Intervention Services line item.

Finally, the request includes adjustments for the one-time furlough savings and statewide 2.5 percent PERA rate reduction.

Recommendation: **Staff recommends no increase for S.B. 08-002.** The Department's request for the final phase of funding to implement S.B. 08-002 is consistent with the amounts that were identified in the Fiscal Note for the bill, but the Department has not completely implemented the program yet. The Department is allowing Supported Living Services to be provided by family members, but rules and procedures are not yet in place to allow family members to provide Adult Comprehensive and Children's Extensive Support services. The Department anticipates taking rules and procedures to the Human Services Board in June of 2010 with an implementation date in September 2010, if the Board approves.

The Department originally anticipated monitoring the program by sampling, with 150-200 site visits planned per year. If the JBC adopts the staff recommendation, the Department will not have the staff hours to make as many site visits in FY 2010-11 as initially anticipated. However, the Department does not appear to be monitoring Supported Living Services provided by family members any differently than Supported Living Services provided by non-family members, as the Department cannot identify the units of service provided by family members versus non-family members. When the program is expanded to Adult Comprehensive Services, staff questions whether there will be 150-200 Adult Comprehensive Service sites to visit. Also, staff notes that the sites will be visited routinely by case managers. While the case managers would not specifically monitor compliance with S.B. 08-002 as part of their normal duties, some of the cases of fraud and abuse the Department is worried about would likely be detected and reported in the normal duties of the case managers.

Staff believes that during FY 2010-11 the Department should reevaluate the level of need for site monitoring, and the most practical method for conducting such site monitoring, and then, if necessary, submit a new request for FY 2011-12 with the appropriate justification. If funding is required, it may be that the funding should be provided in the Case Management line item.

Staff recommends appropriating spending authority for personal services to implement H.B. 09-1237 in this line item, rather than the Custodial Funds for Early Intervention Services line item. Pursuant to Section 27-10.5-709 (2), C.R.S., moneys for administration of the Early Intervention Services Trust Fund are subject to annual appropriation by the General Assembly, but payments for services are not. The Custodial Funds for Early Intervention Services line item provides information on payments for services. The amounts for administration should not be commingled with payments for services. The Fiscal Note for H.B. 09-1237 projected that in the second year of implementation another $40,765 and 1.0 FTE would be required to receive and disburse moneys, reconcile accounts, and perform other record keeping. The staff recommendation reflects this second year increase.

Staff recommends a refinancing of the line item to reflect the fund sources of the major programs monitored by the Administration. There are three major programs the Administration oversees that don't have dedicated administrative staff. The table below reflects the FY 2009-10 appropriated ratio of General Fund to Medicaid for those programs. Cash fund sources were not included. The primary source of cash funds is client payments to offset the cost of residential services. Presumably, these payments offset General Fund and Medicaid expenditures in near equal proportions, and thus would not significantly change the ratio of General Fund to Medicaid.

	General Fund	Medicaid
Program Costs	$31,017,664	$308,211,355
Preventive Dental Hygiene	60,621	0
Regional Centers, Medicaid-funded Services	0	50,618,562
TOTAL	$31,078,285	$358,829,917
Percent	8.0%	92.0%

If the JBC adopts all the staff recommendations for FY 2010-11 the proportion of the programs overseen by the Administration attributable to the General Fund would decline further, but the staff recommendation is based on the FY 2009-10 ratio to reduce the need for constant updating if the JBC's actions vary from the staff recommendation. The result of the staff recommendation is a net General Fund savings of $26,027.

The components of the staff recommendation are summarized in the table below. The staff calculation of the PERA adjustment is higher than the Department's due to applying the PERA adjustment to cash funded staff implementing H.B. 09-1237.

Personal Services						
	Total	GF	CF- private insurance	RF - Medicaid	*Net GF*	FTE
FY 2009-10 Appropriation	$2,884,078	$279,055	$40,765	$2,564,258	*$1,561,184*	35.0
Annualize S.B. 08-002 (not recommended)	0	0	0	0	*0*	0.0
Annualize 09-1237	40,765	0	40,765	0	*0*	1.0
Furlough adjustment	80,222	8,122	0	72,100	*44,172*	0.0
PERA 2.5% Reduction	(60,232)	(5,913)	(1,826)	(52,493)	*(32,160)*	0.0
Fund source adjustment	0	(52,054)	0	52,054	*(26,027)*	0.0
Staff Rec. FY 2010-11	**$2,944,833**	**$229,210**	**$79,704**	**$2,635,919**	***$1,547,170***	**36.0**

<u>Operating Expenses</u>

Description: This line item pays for operating expenses associated with the staff in the Administration section.

Request: The Department requests SBA #6 for a reduction of $4,423 ($2,212 net General Fund) to reflect the end of one-time expenditures to implement S.B. 08-002. As noted in the description for the Personal Services line item, the Department assumed funds to implement H.B. 09-1237 would be appropriated in the Custodial Funds for Early Intervention Services line item rather than this line item. This line is impacted by the statewide request for mail equipment upgrades. Finally, the Department requested a $12,623 reduction in operating expenses ($6,316 net General Fund) as part of SBA #8 that seeks to reduce total Department operating expenses paid from the General Fund by 5.0 percent.

Recommendation: **Staff recommends a reduction of $5,183 associated with implementing S.B. 08-002.** Of the reduction, $4,423 is associated with the termination of one-time costs for computers, desks, etc. for staff added in FY 2009-10 and matches the Department's request. The remaining $760 reduction is attributable to the staff recommendation discussed above that the JBC not add 0.8 FTE in FY 2010-11 for program monitoring.

For the reasons described under the Personal Services line item, staff recommends appropriating spending authority for operating expenses to implement H.B. 09-1237 in this line item, rather than the Custodial Funds for Early Intervention Services line item. The Fiscal Note for H.B. 09-1237 projected that in the second year of implementation another $950 would be required and the staff recommendation reflects this increase.

Staff recommends an adjustment for the mail equipment upgrade. The staff calculation is slightly different than the Department's request due to a technical error in the request. The Department failed to request continuation of the portion of FY 2009-10 funding for on-going lease payments.

Staff recommends SBA #8 for the department-wide operating reduction. Since the impact of this request recurs throughout the Division, it bears some discussion here. The Governor requested that the Department reduce net General Fund operating expenses that support Department personnel by 5.0 percent department-wide, but the Department was provided with flexibility in how to allocate the reduction by line item, and flexibility to exempt line items where an across-the-board reduction didn't make sense. The proposed reduction does not apply to grant awards, fund transfers, food services, or medical services. The total targeted reduction of $610,772 net General Fund was based on FY 2008-09 actual operating expenditures by fund source. The Department decided to allocate $114,246 of the targeted reduction to a capital outlay line item in the Executive Director's Office that is used for the various institutions operated by the Department. The remainder was allocated to the 25 largest operating line items in the Department. To allocate the reduction by line item, the Department first made a rough estimate of operating expenses in the FY 2010-11 request by applying the percentage of actual FY 2008-09 line item expenses attributable to operating to the total FY 2010-11 request for each line item. The Department then spread the reduction in proportion to the estimated General Fund and Reappropriated Funds (mostly Medicaid) operating request for each line item.

The Department's allocation method results in different percentage reductions in operating expenses for different line items based on the amount of General Fund versus Reappropriated Funds. In the Department's allocation 100 percent Medicaid line items must absorb twice the reduction in total operating funds as line items that are 100 percent General Fund. Among the biggest losers using the Department's methodology is the Regional Centers and among the biggest winners is the Division of Youth Corrections.

Despite the inequity of the Department's method for allocating the operating reduction, staff recommends the Department's request. Staff believes the Department should have determined the across-the-board reduction in total operating funds necessary to achieve the targeted General Fund savings. However, without the Department's assistance, it would be difficult and extremely time consuming for the JBC staff to do the necessary line-by-line analysis to determine the appropriate across-the-board reduction. The Department believes the line items can absorb the proposed reductions, and so the staff recommendation is to accept the Department's request.

The components of the staff recommendation are summarized in the table below.

Operating Expenses				
	Total	CF- private insurance	RF - Medicaid	*Net GF*
FY 2009-10 Appropriation	159,922	6,178	153,744	*76,872*
Annualize 08-002	(5,183)	0	(5,183)	*(2,592)*
Annualize 09-1237	950	950	0	*0*
Mail equipment upgrade	(38)	0	(38)	*(19)*
SBA #8 Reduction in operating expenses	(12,632)	0	(12,632)	*(6,316)*
Staff Rec. FY 2010-11	**143,019**	**7,128**	**135,891**	***67,946***

<u>Community and Contract Management System</u>

Description: Pays for the maintenance of an information technology system used to collect demographic, eligibility, and assessment information for compliance with Department regulations and policies. The system also stores wait list information.

Request: The Department requests continuation spending authority.

Recommendation: **Staff recommends continuation funding.** The Myers and Stauffer report on mandated functions of the CCBs recommended that the Department better integrate several information technology systems to reduce the need for duplicate entries. The Department indicated it is evaluating the feasibility and costs versus benefits of all the recommendations in the Myers and Stauffer report, but did commit to working within existing resources to improve the interface between the Community and Contract Management System and the Benefits Utilization System managed by the Department of Health Care Policy and Financing. Funding in this line item is necessary to continue improving the integration of the systems.

Community and Contract Management System				
	Total	GF	RF - Medicaid	*Net GF*
FY 2009-10 Appropriation	137,480	41,244	96,236	*89,362*

Community and Contract Management System				
	Total	GF	RF - Medicaid	*Net GF*
Staff Rec. FY 2010-11	**137,480**	**41,244**	**96,236**	***89,362***

Medicaid Waiver Transition Costs

Description: This line item reflects state administrative costs associated with changes to the Medicaid waiver system. Initially, this line item was used for costs identified as one-time in nature. Last year, the Department argued that some of the administrative costs will be on-going. Rather than folding appropriations for these on-going costs into the Administration, Operating line item, the JBC staff recommended, and the JBC approved, keeping the funding separate to ensure that the cost estimates were accurate. The FY 2009-10 appropriation level was based on the following cost estimates.

	FY 2009-10 Budget	**Current Department Estimate**
Supports Intensity Scale (SIS) SIS Product Costs		
SIS booklets at $1.50 each and SIS Online data entry fee at $4.38 each x 3,000 in FY 09-10 and future years	$17,640	$5,880
SIS Online licensing fee at $110 per user per year x 200 users	22,000	18,808
Contract to bring SIS on-line system in house to reduce the number of different systems accessed and duplicate entries by CCBs	0	26,952
Ongoing SIS Training and Quality Control		
DHS staff travel costs (20 days at $100 per day hotel/per diem)	2,000	2,000
Training for new trainers (5 trainers at $3,700 each, inc. lodging/per diem)	18,500	18,500
Training for new interviewers (25 interviewers at $1,000 each)	25,000	11,000
Materials, teleconference costs, and travel associated with training, technical assistance, and inter-rater reliability	8,000	10,000
Total	$93,140	$93,140

Request: The Department requests continuation funding.

Recommendation: **Staff recommends a reduction of $13,477 for the contract to bring the SIS on-line system in house.** Although the funding was not originally intended for this purpose, the Department is responding to the recommendations of the Myers and Stauffer report. According to the Department, the 2nd year cost of the contract will be approximately half of the FY 2009-10 cost. There is not yet a full year of actual expenditures to use as a basis for modifying the appropriation for the other expenditures funded from the line item.

Medicaid Waiver Transition Costs		
	RF - Medicaid	*Net GF*
FY 2009-10 Appropriation	93,140	*46,570*
Contract for SIS on line	(13,477)	*(6,739)*
Staff Rec. FY 2010-11	**79,663**	***39,832***

(2) Program Costs

The Program Costs subsection includes several line items, but these line items are for informational purposes only, since a footnote to the Long Bill indicates that the Department has authority to transfer funds between the line items. Expenditures are limited by the total for the subsection, rather than totals for individual line items within the subsection.

Services funded through the Program Costs subsection are delivered by private providers. Community Centered Boards (CCBs) provide case management and coordinate the delivery of services.

The Department's request for the Services for People with Disabilities division is more noteworthy for what it doesn't include than what it does include. The Department provides four primary types of services for people with Developmental Disabilities:

- Early intervention services for children under the age of 3;
- Nonresidential support services for families of school-age children;
- Residential services for adults; and
- Nonresidential support services for adults so that they don't need residential services.

The Department also provides case management consultation for people receiving each of these types of services. School districts are responsible for services to school-age children during school hours.

While the State routinely has to limit the number of new people who can access services based on available funds, the Department usually requests, and typically receives, funding for people currently getting state services who are making the transition to a different type of state service because of their age. This includes adult residential services for people with developmental disabilities who are aging out of the child welfare system. It also includes adult nonresidential services for people aging out of the Children's Extensive Support (CES) program for school-aged children.

In addition, the Department often requests, and frequently receives, funding for emergency situations where a care-giver becomes sick, deceased, unemployed, or otherwise incapable of continuing to provide for a person with developmental disabilities, and that person needs immediate residential services from the state. Abuse by a care provider or maladaptive behavior by a care recipient can also cause an emergency situation. The Department usually requests at least funding for the average emergency situations in prior years, and sometimes requests additional funding for people on the wait lists identified as at "high risk." The "high risk" classification is for those likely to need residential services because the person is medically fragile, non-ambulatory, mentally ill, 40-years old or older and living with a parent, exhibiting maladaptive behavior, has severe or profound mental retardation, or other factors.

For the last seven years, and probably for many years before that, the Department has requested an increase in resources for at least transitions and emergencies. For FY 2010-11 the Department did not request funding for transitions or emergencies, due to the statewide budget shortfall. The Department plans to address these cases with funds that become available through turnover. Historic turnover rates suggest that statewide there should be sufficient resources for the Department to ensure continued services for transitions and emergencies.

Department Estimated Cost to Fund Transitions, Emergencies, and High Risk

	Estimated Resources	Cost per Resource	Total	Net GF
Foster Care to Adult Comprehensive Services (Comp.)	42	$86,984	$3,653,328	$1,826,664
Emergency Comp.	49	$78,038	$3,823,862	$1,911,931
Subtotal - Comp.	91		$7,477,190	$3,738,595
Children's Extensive Support (CES) Services to Adult Supported Living Services (SLS)	39	$17,514	$683,046	$341,523
Subtotal - Transitions & Emergencies	130		$8,160,236	$4,080,118
High Risk Comp.	380	$64,129	$24,369,020	$12,184,510
High Risk SLS	541	$17,514	$9,475,074	$4,737,537
TOTAL - Transitions, Emergencies, High Risk	1,051		$42,004,330	$21,002,165

Average 3-year Turnover

	FY 06-07	FY 07-08	FY 08-09	3-year Average
Adult Comprehensive Services	134	146	160	147
Supported Living Services	203	209	302	238

However, turnover will not always occur where and when it should to optimally address these circumstances. In October the Department issued a directive that resources that become available as a result of vacancies will be reallocated by the Department, rather than the Community Centered Boards.

Small variations in the allocation of resources can have significant impacts on providers and could potentially impact current service recipients. For example, a provider with a six-bed facility matches expenditures for salaries, rent, utilities, etc. to the expected revenue from having those beds occupied for most of the year. If a vacancy occurs and the provider is not permitted to fill the vacancy, because the resources are reallocated elsewhere, then the budget for the facility is thrown out of balance. In some cases providers may be able to reduce expenses to match the reduction in revenues, but in other cases they may have to relocate facilities to less expensive property, or close facilities and consolidate service locations. Current service recipients could be forced to find a new provider, or move facilities within a provider's network. Overall the diversity and geographic availability of providers could be impacted.

FY 2009-10 Estimated Expenditures

Expenditures for Medicaid waiver programs are not capped by the appropriation. The state has the authority to limit the number of program participants and significant flexibility to customize the rate structure within federal guidelines. But, once program eligibility is determined, services are paid for based on assessed needs and the rate structure. If assessed needs are higher than expected, expenditures will be higher than expected, potentially resulting in an overexpenditure of the appropriation. The Department can change the rate structure to manage to the appropriation, but it takes time to get Medicaid program approval for rate changes. Not all of the funds in the Program Costs subsection are governed by Medicaid waivers, and so this is another tool that the Department can use to manage to the appropriation. The Adult Comprehensive Services, Adult Supported Living Services, Early Intervention Services, and Family Support Services line items all have components to them that are 100 percent financed with the General Fund and not subject to the Medicaid waiver requirements.

The table below shows the Department's projection of FY 2009-10 expenditures for the major Medicaid waiver programs. For all the programs except Adult Comprehensive Services, the Department used the average expenditures for the first 7 months to project the last five months. For Adult Comprehensive Services the Department used the average for the first 6 months, explaining that the January expenditures, which reflect December services, have been historically lower than the rest of the year due to patient and staff holidays.

Medicaid Utilization FY 2009-10

Month	TOTAL	Adult Comprehensive Services	Supported Living Services	Case Management	Children's Extensive Support Services
July	$26,373,152	$19,588,721	$4,310,963	$1,614,183	$859,286
August	27,090,530	23,733,460	2,649,286	282,416	425,368
September	24,082,815	18,657,175	2,920,468	2,080,516	424,655
October	25,688,472	20,912,300	2,956,931	1,363,357	455,884
November	27,169,565	21,936,336	3,719,509	843,375	670,345
December	26,456,086	20,861,775	2,826,099	2,098,922	669,289
January	22,728,514	18,557,615	2,127,267	1,580,877	462,754

Month	TOTAL	Adult Comprehensive Services	Supported Living Services	Case Management	Children's Extensive Support Services
YTD	$179,589,134	$144,247,382	$21,510,524	$9,863,647	$3,967,582
Monthly Average	25,655,591	20,948,295	3,072,932	1,409,092	566,797
QA/UR/SIS	2,573,785	--	--	2,573,785	--
Projected Expenditures	312,148,500	248,988,854	36,875,183	19,482,893	6,801,569
Appropriation	308,173,355	237,219,710	45,326,226	18,873,743	6,753,676
Over/(Under) Expenditure	$3,975,145	$11,769,144	($8,451,043)	$609,150	$47,893
Percent of appropriation	1.3%	5.0%	-18.6%	3.2%	0.7%

Medicaid Utilization FY 2009-10

This projection shows an over-expenditure of almost $4.0 million at the end of the year, but it is important to note that this projection doesn't fully account for the 2.5 percent provider rate reduction that was implemented in October. The Department estimates that expenditures lag service delivery dates by between one and two months. That means the impact of the lower provider rates would be seen for part of November and more fully in December. It is reasonable to assume that monthly expenditures for the last five months of the year will be lower than for the first 7 months of the year because of the provider rate reduction. Also, staff notes that the Department changed policies for how it fills vacant placements. Previously, when placements became available due to turnover the CCB for that region could fill the position from the wait list. Now, CCBs notify the Department and the Department may reallocate the vacant position to another CCB, if necessary to address an urgent need such as a placement for somebody transitioning from foster care to Adult Comprehensive Services. This policy will naturally produce some lag in filling vacant positions and thereby reduce expenditures, even if the Department doesn't use the policy intentionally for that purpose. These are factors that may drive expenditures down from the projection. At the other end of the spectrum, the Department recently implemented major changes to the payment process for Supported Living Services. As providers and consumers become more familiar with the new payment process, utilization of Supported Living Services may increase.

The bottom line is that the Department feels comfortable that it can manage within the appropriation without an over-expenditure. Staff emphasized to the Department that in this year even a small over-expenditure could be problematic and encouraged the Department to come forward if it needed more funding so that the JBC could change policies or plan accordingly. The Department did not request additional funding for FY 2009-10.

Another thing to take from the table is that expenditures for Adult Comprehensive Services are running significantly over the appropriation while expenditures for Supported Living Services are running under the appropriation. The Department has not requested or justified any change in policy to emphasize Adult Comprehensive Services over Supported Living Services. There is some overlap between providers for the different types of services, but the providers are not exactly the same. Supported Living Services are intended to reduce the need for more costly Adult Comprehensive Services, and to spread the limited available state funds over a broader population. Setting rates to match the appropriation involves some art as well as science, and there is no reason to believe the Department is intentionally over spending Adult Comprehensive Services and under spending for supported Living Services. For FY 2010-11 staff believes the Department needs to adjust rates to try to more closely match the appropriation. According to the Department, the overexpenditure for Adult Comprehensive Services is largely attributable to an unanticipated increase in the number of people whose needs are being re-evaluated using the Supports Intensity Scale (SIS). These re-evaluations overwhelmingly result in higher SIS scores, which drives higher payments in the Department's rate structure. This suggests to staff that the increase in expenditures for Adult Comprehensive Services is attributable to providers and consumers adapting to maximize payments and services in the Department's pay structure, since presumably the population did not get more difficult to serve over night. Likewise, the underexpenditure of Supported Living Services is attributable to a new rate structure developed by the Department that providers, consumers, and the Department are still learning. As providers and consumers adapt to the new rate structure, and the Department makes modifications in response to inequities identified in the rate structure, staff anticipates that expenditures will increase to the appropriated levels.

Adult Comprehensive Services

Description: Provides 24-hour supervision and care, usually in a group home or individual host home (pursuant to S.B. 08-002, comprehensive services may be provided in a family home). Examples of residential habilitation services include help with hygiene, feeding, exercise, wheelchair transfers, and pressure shifting to avoid ulcers. The residential-based services are often supplemented with transportation to a day treatment center for education, training on work habits and work-related skills, employment, and physical, mental, and behavioral therapies.

Service providers are paid a daily rate based on the supports intensity scale (SIS) score of the individual served. Most clients served qualify for the federal Supplemental Security Income (SSI) program for room and board expenses, and for Medicaid for health care expenses. Those who don't (usually due to inherited assets) could be charged fees, or served through charitable sources.

To qualify for Adult Comprehensive Services an individual must have a diagnosed developmental disability that manifests before the age of 22 that puts them at risk of an institutional placement, and there must be resources available. For FY 2009-10, appropriations provide for an estimated 4,229.5 resources (or placements), including 66 funded from the General Fund and 4,163.5 from Medicaid funds. Actual people served with the funds provided may vary somewhat due to turnover and SIS scores.

The number of qualifying applicants exceeds the funded resources and the CCBs maintain wait lists. When resources become available due to turnover or new funding, the Department prioritizes resources for those with the least alternative sources of support. Typically resources go first to people transitioning out of the child welfare system who are already in the care of the State due to a lack of alternatives, and "emergency" situations, such as the death or illness of a care provider, victimization, or extreme behavioral issues such as violence to self or others. After these cases, the CCBs may allocate resources to the wait list.

The source of cash funds for the line item is client cash for room and board expenses, primarily from SSI benefits. Pursuant to Section 27-10.5-104, C.R.S. these funds are taken into account when setting the provider rates.

> 27-10.5-104. Authorized services and supports - conditions of funding - purchase of services and supports - boards of county commissioners - appropriation. (7) (a) Each year the general assembly shall appropriate funds to the department of human services to provide or purchase services and supports for persons with developmental disabilities pursuant to this section. Unless specifically provided otherwise, services and supports shall be purchased on the basis of state funding less any federal or cash funds received for general operating expenses from any other state or federal source, <u>less funds available to a person receiving residential services or supports after such person receives an allowance for personal needs or for meeting other obligations imposed by federal or state law,</u> and less the required local school district funds specified in paragraph (b) of this subsection (7). The yearly appropriation, when combined with all other sources of funds, shall in no case exceed one hundred percent of the approved program costs as determined by the general assembly....(Emphasis added.)

Request: The Department requested SBA #5 for a supplemental FY 2009-10 increase associated with transferring clients from the Skilled Nursing Facility (SNF) at the Grand Junction Regional Center (GJRC) to community placements, and annualization of that adjustment in FY 2010-11.

The Department also requested annualizaton of funding for new placements provided in FY 2009-10 for people transitioning from foster care provided by Child Welfare to Adult Comprehensive Services. The FY 2009-10 appropriation for these new resources was for half the total projected cost, based on the assumption that new placements would be filled gradually throughout the year.

The request reflects annualization of the 2.5 percent reduction in provider rates included in the supplemental bill. The provider rate reduction took effect in October, and so the lower rates will be in effect for three more months in FY 2010-11 than in FY 2009-10.

Finally, the Department requested BA #4 for another 2.0 percent reduction in provider rates. So, in total the Department proposes a 4.5 percent reduction in provider rates since the beginning of FY 2009-10.

Recommendation: **There are four differences between the staff recommendation and the Department request:**

- The Department's request for annualization included costs associated with case management services. Staff removed those costs from this line item and included them in the Case Management line item.

- The Department failed to request annualization of funding approved last year for 10 people transitioning from regional centers to community placements. These 10 placements were approved prior to the proposal to close the SNF and the annualization costs are in addition to the annualization costs of the SNF placements. Staff included these costs.

- The Department didn't apply the 2.5 percent supplemental provider rate reduction to the annualized resources for foster care placements and regional center transitions. Staff applied the 2.5 percent provider rate reduction to the annualized resources.

- The Department's calculation of the savings from the 2.0 provider rate decrease is $82,863 lower than the staff recommendation due to the annualizations and technical differences described above.

The rationale for, and calculation of, the increase in placements attributable to the closure of the SNF at GJRC is discussed in more detail in the Regional Centers subsection. Most of the other adjustments in the staff recommendation are necessary to annualize decisions made by the General Assembly in prior years. The only new policy for FY 2010-11 is the 2.0 percent decrease in the provider rate.

The components of the staff recommendation are detailed in Appendix A at the end of this document. Consistent with the Department request, staff specifically did <u>not</u> recommend applying the 2.0 percent community provider rate decrease to the General Fund appropriation. In part this is because the General Fund rate per placement is currently less than 50 percent of the Medicaid rate per placement. But, this is also because the JBC rejected a staff recommendation to apply a community provider rate reduction to the General Fund at supplemental time. If the JBC applied the 2.0 percent community provider rate reduction to the General Fund it would save $33,009.

<u>Adult Supported Living Services</u>

Description: Provides services to adults who are capable of living independently with limited supports, or who are principally supported by other sources, such as their family. Examples of services include hygiene and homemaking needs, employment, financial management, adaptive technology, therapy, transportation, and 24-hour emergency assistance.

To qualify for services, an individual must have a diagnosed developmental disability that manifests before the age of 22 that puts them at risk of an institutional placement, and there must be resources available.

Supported living resources cost, on average, 25 percent of the cost of a comprehensive resource. In a 2004 survey, the Department found that 16 percent of those receiving SLS refused comprehensive services when they were offered it, compared with 3 percent of those that were not receiving SLS.

Request: The Department requests annualization of FY 2009-10 funding for people transitioning from children's extensive support services to Adult Supported Living Services, annualization of the 2.5 percent provider rate decrease in the supplemental, and BR #4 for a 2.0 percent provider rate reduction.

Recommendation: **The staff recommendation is similar to the request, except that:**

- The staff recommendation includes the cost of annualizing case management services for the people transitioning from Children's Extensive Support Services to Adult Supported Living Services in the Case Management line item.

- The staff recommendation applies the 2.5 percent and 2.0 percent provider rate reductions to the annualized funding for people transitioning from Children's Extensive Support Services to Adult Supported Living Services.

The components of the staff recommendation are detailed in the appendix at the end of this document. Consistent with the Department request, staff specifically did not recommend applying the 2.0 percent community provider rate decrease to the General Fund appropriation. The JBC rejected a staff recommendation to apply a community provider rate reduction to the General Fund at supplemental time. If the JBC applied the 2.0 percent community provider rate reduction to the General Fund it would save $159,499.

Early Intervention Services

Description: Provides support to children under the age of 3 who have significant developmental delays, or a physical or mental condition with a high probability of resulting in developmental delays. Examples of the assistance provided include audiology services, developmental intervention, nursing, occupational therapy, physical therapy, psychological services, social work, speech/language therapy, and vision services.

Services are offered regardless of income. A team of professionals works with the family to identify needs and a service plan, and the family must authorize the services.

General Fund for early intervention services complements private insurance and federal funds from Part C of the Individuals with Disabilities Education Act (Part C). Private insurance policies originated in the state must cover early intervention services, but the majority of private insurance policies covering Coloradans originate from other states and offering varying levels of coverage. The roughly 30 percent of polices required to cover early intervention services by Colorado law may limit liability to an amount set by the Division annually. Not all Coloradans have private insurance. Federal Part C funds help pay for the coordination and delivery of early intervention services, but may not be used to supplant state funds. The application for the federal Part C grant also requires the state to provide assurances that federal funds will not supplant state funding, and that all eligible children have access to services in a timely manner (no wait lists).

Request: The Department requests continuation funding.

Recommendation: **The staff recommendation is for at least the requested continuation funding. Staff is considering recommending an increase in General Fund to address population increases and declining federal funds, but this potential component of the staff**

recommendation is pending additional information from the Department. As discussed at the briefing, the population identified as needing early intervention services has increased dramatically in the past couple of years. The Department attributes this increase to improved reporting from CCBs, better screening and identification by physicians and child welfare staff, and population increases. The increase in identified need potentially jeopardizes the state's ability to provide assurance to the federal government that all eligible children are served. This assurance is a prerequisite for federal Part C funding. To address population increases in the current year, the Department is using federal funds from the American Recovery and Reinvestment Act, and accelerating the expenditure of Part C funding that normally would be spent in FY 2010-11 to FY 2009-10. These two sources of federal funds are one-time in nature and in FY 2010-11 and FY 2011-12 the Department will have less federal funds available for the Early Intervention population than in the current year.

The Department is in the process of projecting the cost of serving the expected FY 2010-11 population based on current program practices. The Department is also developing strategies for how to decrease expenditures if no new funds are provided. These options include limiting the population served by making eligibility criteria tougher and reducing reimbursement rates for services. The potential impacts on the effectiveness of the program are significant and staff wants to make sure the JBC has a chance to weigh these versus the cost or providing additional funding. Therefore, staff will bring this item back to the JBC as soon as the necessary additional information is available from the Department.

Family Support Services

Description: Provides short duration services and equipment to help families with the extraordinary costs of children with developmental disabilities, in order to reduce the likelihood of more costly out-of-home placements. Respite care typically accounts for 50-60 percent of expenditures. Other common expenditures include counseling, occupational/speech/physical therapies not covered by Medicaid, transportation, assistive technology (mobility aids, adaptive equipment, communication devices), home and vehicle modifications, and personal expenses for things like specialized clothing and diets. The money is used almost exclusively for families with school-age children, but the appropriation is not restricted to this population. The source of funds is General Fund and there are no matching federal funds. The appropriation indicates that the funding is for 1,226 resources. However, the actual unduplicated count of people served in FY 2008-09 was 3,740.

Request: The Department requests restoration of the one-time supplemental reduction of $102,400 General Fund. The supplemental included a footnote allowing the Department to refinance the $102,400 with roll-forward money from prior years, but that money is no longer available in FY 2010-11.

Recommendation: **Staff recommends eliminating the Long Bill reference to the number of resources.** For the other lines in the Program Costs subdivision the number of resources is an indication of the number of people, or more accurately the FTE, that the appropriation is intended to serve. Staff is not sure how to calculate an FTE for short-term services that include equipment purchases and capital outlay. Nor does staff see a benefit in calculating an FTE for this line item. Expenditures per family vary widely and most are one-time in nature rather than on-going. Some years the Department serves lots of families with small amounts each and in other years a few large, high priority services and purchases may reduce the number of families served.

Staff does not recommend restoring the one-time supplemental reduction, and instead recommends a 4.5 percent reduction in funding, or $288,267 General Fund. During the last economic downturn funding for this line item was reduced by 50 percent. In subsequent years funding was restored to the current level. There is no statutory or federal mandate requiring funding for this line item. The modest-in-comparison staff recommended reduction is indexed to the community provider rate reduction for Medicaid funded line items. Many of the services provided from this line item are similar to services provided through the Adult Supported Living Services line item, just shorter in duration. The Governor requested, and staff recommended, a 4.5 percent provider rate reduction for the Adult Supported Living Services line item.

Detail behind the staff recommendation can be found in Appendix A at the end of this document.

Children's Extensive Support Services

Description: Provides services to children with developmental disabilities who require constant line-of-sight supervision. Most state services for school-age children with developmental disabilities are provided through K-12 special education. This population exhibits one or more of the following qualities: self-endangering behavior, a life-threatening medical condition, serious aggression toward others, or constant vocalizations that are significant disruption to family life. Examples of supports include:

- assistance with personal hygiene, eating/drinking, and toileting
- therapies, training, evaluations, and assessments
- behavioral interventions and/or consultation
- home modifications (showers, toilets, doorways)
- assistive technology (intercom systems, electronic monitoring, mobility devices)
- respite care

To qualify for services, an individual must have a diagnosed developmental disability that manifests before the age of 22 that puts them at risk of an institutional placement, and there must be resources available.

Medicaid provides funding for the program. In FY 2009-10, $5.7 million of the federal funds are matched with 50 percent General Fund and $1.1 million of the federal funds are matched with 50 percent Health Care Expansion Fund.

Request: The Department requests annualization of the 2.5 percent community provider rate reduction included in the supplemental, and BR #4 for a 2.0 percent community provider rate reduction in FY 2010-11.

Recommendation: **Staff recommends the request.** The components of the staff recommendation are detailed in the appendix at the end of this document.

<u>Case Management and Quality Assurance</u>

Description: Provides funding for CCBs for services performed for the state in the areas of in-take, eligibility determination, service plan development, arrangement for services, and monitoring. The General Fund and Medicaid generally correspond to the funding sources used to provide direct services to the clients. In FY 2009-10, a little more than $70,000 of the Medicaid funds are matched with 50 percent from the Health Care Expansion Fund.

Request: The Department requests annualization of the 2.5 percent community provider rate reduction included in the supplemental, and BR #4 for a 2.0 percent community provider rate reduction in FY 2010-11.

Recommendation: **As discussed above, staff recommends including annualized costs for case management for FY 09-10 new foster care placements, transfers from regional centers, and transfers from Children's Extensive Support in this line item. Staff recommends annualizing the 2.5 percent reduction and the new FY 2010-11 2.0 percent reduction.** The staff calculations of annualizing the 2.5 percent provider rate reduction and adding the 2.0 percent provider rate reduction differ from the Department's calculations due to including the annualized costs for new FY 2009-10 placements in the line item. The components of the staff recommendation are detailed in Appendix A at the end of this document.

<u>Special Purpose</u>

Description: Past funding has been used for surveys for determining wait lists and service requirements, consultants, and behavior pharmacology clinics.

Request: The Department requests restoration of the one-time supplemental reduction of $360,844 General Fund. The supplemental included a footnote allowing the Department to refinance the $360,844 with roll-forward money from prior years, but that money is no longer available in FY 2010-11. The Department also requests BR #4 for a 2.0 percent reduction in Medicaid community provider rates.

Recommendation: **Staff recommends the Department request.** The components of the staff recommendation are detailed in Appendix A at the end of this document.

(3) Other Community Programs

<u>Federal Special Education Grant for Infants, Toddlers, and Their Families (Part C)</u>.

Description: In addition to the federal grants available under Part B of the federal *Individuals with Disabilities Education Act (IDEA*), grants are available under Part C of *IDEA* to assist states in providing special education and related services to children with disabilities ages zero to three, and their families. Part C funds may be used to implement, maintain, and strengthen the statewide system of early intervention services for infants and toddlers with disabilities and their families. In addition, such funds may be used for direct early intervention services for infants and toddlers with disabilities and their families that are not otherwise funded through other public and private sources. Thus, Part C is the payer of last resort, and all other funding options must be explored before accessing available Part C funds for the provision of direct services. Federal Part C funds may not be commingled with state funds, and may not be used to supplant state and local funds expended for infants and toddlers with disabilities and their families. As school districts are not required to provide educational services to children under age three, Part C funds are not directly allocated to school districts. As a condition for receipt of the federal Part C grant, states must agree to a variety of federal requirements to provide a statewide, coordinated, interagency system to provide early intervention services for infants, toddlers, and their families. This includes requirements to maintain state and local funding levels.

Request: The Department requests a reduction of $1,737,534 federal funds to reflect the expiration of one-time money through the American Recovery and Reinvestment Act (ARRA). The line item is also impacted by the statewide mail equipment upgrade and PERA adjustment.

Recommendation: **Staff recommends the request based on the projected federal funds.**

Custodial Funds for Early Intervention Services

Description: Pursuant to S.B. 07-004 (Shaffer/Todd) and H.B. 09-1237 (Primavera/Shaffer), private insurance policies offered in the state that include coverage for dependents must pay for early intervention services for children under three who have significant delays in development or a diagnosed physical or mental condition with a high probability of resulting in significant delays in development. Policies may not set maximum annual liability limits below a threshold annually set by the Division based on statutory indexes, nor may they require a copayment or deductible for this benefit. The annual liability limits are adjusted every year based on the Denver/Boulder/Greely consumer price index, plus an additional amount if the General Assembly increases appropriations per child for state-funded early intervention services in excess of inflation. Insurance payments must be made to the Early Intervention Services Trust Fund managed by the Department. These payments may only be used to benefit the covered child and are treated as custodial funds that are not subject to annual appropriation. The amount that appears in the Long Bill is an estimate of insurance payments and is included for informational purposes only.

Request: The Department requests an increase of $1,483,750 for the second year of implementing H.B. 09-1237, including $41,7115 and 1.0 FTE for record keeping and $1,442,035 for services, consistent with the assumptions in the fiscal note for the bill.

Recommendation: As discussed above, **staff recommends that the funding for staff be included with the personal services and operating lines in the Administration subsection.** The costs for administering the program are subject to annual appropriation, but services are not, and so the two should not be commingled in the same line item. **Otherwise, the staff recommendation is the same as the request based on the projected available funds.**

<u>Preventive Dental Hygiene</u>

Description: Provides dental evaluation and intervention services for approximately 1,200 persons with developmental disabilities. Colorado has opted not to provide dental care for adults through the Medicaid program. Medicaid eligible children may receive dental screening through the federal Early and Periodic, Screening, Diagnosis and Treatment (EPSDT) program.

Request: The Department requests BR #4 for a 2.0 percent provider rate decrease.

Recommendation: **Staff recommends the Department's request.** This program has traditionally received provider rate increases, and so it is reasonable that it should participate in provider rate decreases.

(B) Regional Centers for People with Developmental Disabilities

The State operates three facilities for individuals with developmental disabilities, known as Regional Centers, in Grand Junction, Wheat Ridge, and Pueblo. The Regional Centers have two methods of providing services: 1) Regional Centers operate residential and support services in large congregate settings on campus at the Grand Junction and Wheat Ridge centers (102 beds); and 2) Regional Centers operate group homes that provide services to 4-6 people per home in a community setting (227 beds, or about two-thirds of the total for FY 2009-10). The first type of placements are licensed as Intermediate Care Facilities for the Mentally Retarded (ICF/MR). Medicaid pays a daily rate for ICF/MR placements based on actual costs. The second type of placements are operated under a Home and Community Based Service (HCBS) waiver like most of the private provider placements funded in the Adult Comprehensive Services line item. Medicaid pays a daily rate for these placements based on the Supports Intensity Scale (SIS) assessment of the person served.

Many persons served by Regional Centers have multiple handicapping conditions, such as maladaptive behaviors or severe, chronic medical conditions that require specialized and intensive levels of services. The Regional Centers work closely with the Community Centered Board (CCB) system, which provides community-operated services for persons with developmental disabilities. Traditionally, the Regional Centers have served persons with developmental disabilities where appropriate community programs are not available. They provide residential services, medical care, and active treatment programs based on individual assessments and habilitation plans.

Since April 2003, the regional centers have used the following admission criteria: (1) individuals who have extremely high needs requiring very specialized professional medical support services; (2) individuals who have extremely high needs due to challenging behaviors; and (3) individuals who pose significant community safety risks to others and require a secure setting. Due to concerns related to the adequacy of staffing and quality of care, the Department began to restrict new admissions to the regional centers in late FY 2007-08. The table below shows the projected bed allocation by primary diagnosis for FY 2009-10.

Regional Center Beds by Client Category - Projected FY 2009-10

	Grand Junction	Pueblo	Wheat Ridge	Total Beds
History of Sex Offense	16	30	0	46
Severe Behavioral/Psychiatric	40	40	53	133
Severe Medical	35	44	14	93
Long term one-to-one	11	9	7	27
TOTAL	102	123	74	299

Only a portion of costs associated with the Regional Center are appropriated in the line items below. Costs associated with Regional Center physical plant maintenance and housekeeping, among other components, are centrally appropriated in the office of Operations, and other indirect amounts are charged to the Executive Director's Office and the Office of Information Technology Services.

Closure of the Skilled Nursing Facility (SNF) at the Grand Junction Regional Center (GJRC)

The Department requested SBA #5 to close the SNF. There are savings in FY 2009-10 associated with the closure that annualize in FY 2010-11. The tables in Appendix B at the end of this document summarize the Department's request, with a few modifications by JBC staff. The JBC staff modifications are of a technical nature, rather than related to policy differences. The bullets provide explanation of the technical modifications and some comments about the Department's assumptions. The policy analysis of the request starts after the bullets.

- The Department estimated the closure would save 23.8 FTE in FY 2009-10, but staff calculated the FTE by dividing projected FY 2009-10 dollar savings for each position by the average annual salary for each position and estimated the FY 2009-10 savings as 18.1 FTE. The JBC staff and Department calculations of FY 2010-11 FTE are the same.
- The Department's request indicates the total salary savings is $740,729 in FY 2009-10. The slightly higher amount in the staff calculation is most likely attributable to rounding. This rounding difference also has small impacts on benefits that are calculated as a percent of salary.
- The Department request estimated FY 2009-10 operating, capital outlay, and purchase of services savings at $46,408 based on 20 percent of full year expenses, but provided an alternate calculation based on bed days that was $41,356 higher, and staff used the alternate calculation.
- The Department estimated Health, Life, and Dental expenses using $666 per month per fraction of a vacant FTE. Staff looked at both the estimated costs used as the basis for the FY 2009-10 appropriation and actual current enrollments. Using either alternative method of estimating HLD results in significantly less savings. Staff suspects the Department's estimate of the HLD savings is too high, but staff used the Department's request.

- Staff corrected an error in the STD rate the Department used for FY 2009-10.
- For FY 2010-11 the Department used the new AED and SAED rates, but staff used the FY 2009-10 rates to show the savings associated with the closure of the SNF absent changes in the rates. The total AED and SAED for the Department will be calculated at the new rates using the base less the SNF positions.
- Staff doesn't understand the Department's logic for calculating the shift differential at 80.0 percent of 7.0 percent of total salaries. Not all employees would get shift payments, and the rates the Department used are not consistent with the JBC's common policies. Lacking data about actual shift payments, staff just used the Department's request.
- Staff added a reduction in provider fees. The Department charges all ICF/MR providers a fee based on 5 percent of ICF/MR costs. The revenue from the fee is deposited in a cash fund and used to offset the need for General Fund. The Department had tried to show the impact of the fee on the financing, but had failed to include the reduction in expenditures for the fee, and so the Department's calculation of the General Fund impact was incorrect.
- Staff added a decrease in client cash at the Regional Centers and an increase in client cash for Adult Comprehensive Services that the Department had not requested, but staff anticipates will happen based on the transfer of clients.
- The table shows the General Fund, client cash, provider fee, and federal funds. To make it easier to see the true impact of the request, the table does not include the double-count of the Medicaid funds transferred from Health Care Policy and Financing.

The Department's request, with technical modifications by the JBC staff, indicates that closing the SNF saves $329,442 General Fund in FY 2009-10, and only $8,671 in FY 2010-11. The higher savings in FY 2009-10 is attributable to positions that have been eliminated in anticipation of the closure of the SNF before the clients actually transition to new community placements where a payment of a daily rate is required. Staff would note that in the supplemental bill the JBC authorized the Department to spend up to $263,116 from roll-forward moneys for transition costs associated with the closure of the SNF. These roll-forward moneys could otherwise have been used to offset General Fund appropriations in FY 2009-10. Thus, the FY 2009-10 "savings" identified in the table is almost entirely offset by the expenditure of roll-forward funds for transition costs.

In FY 2010-11 the General Fund savings are so much smaller than the total fund savings because of the loss of the provider fee that helps offset the need for General Fund to match federal funds for ICF/MR placements. Not only will closing the SNF save very little General Fund in FY 2010-11, but the state will provide 2 fewer placements. All of the cost savings are based on closing 32 beds. However, there are 2 clients of the SNF who are receiving hospice care and will not transition to a community placement. The Department requests only 30 new community placements (1 nursing home placement and 29 Adult Comprehensive Services placements). It will not fill the 2 placements for the clients on hospice care when those placements turn over.

This raises questions about whether the Department has accurately identified all of the cost savings associated with the closure of the SNF, and whether closing the SNF was a good policy decision. Regarding the first point, staff converted the Medicaid cost savings identified by the Department to a daily rate of $365.76 compared to the current daily rate for ICF/MR placements at the GJRC of $606.12.

Total SNF	$4,502,175
Client Room & Board Cash	(230,047)
Medicaid bill	$4,272,128
Placements	32
Medicaid daily rate	$365.76
Current GJRC ICF/MR Rate	$606.12
Difference	$240.36

The Department indicates that all of the cost estimates in the request tie to the audited "Med-13" report required by the federal government. The Med-13 is used to set the daily reimbursement rate that Medicaid will pay for ICF/MR facilities. After several attempts to get the Department to explain how the request reconciles to the Med-13, staff is still unable to explain where all of the numbers in the request originate. However, staff can explain a significant portion of the difference between the Grand Junction Regional Center ICF/MR rate and the reduction in daily expenses the Department proposes for the SNF closure. Based on the information provided by the Department, it appears that the following expenditures from the Med-13 report were not reduced as part of the SNF closure. All of the expense totals are for the Grand Junction Regional Center only, and only the portion of total expenses that Medicaid allows the Department to include in the ICF/MR rate (this excludes the portion of expenses attributable to waiver placements). Some of the items are highlighted for reasons that are explained below.

Expense	Amount	Contribution to Daily Rate
Utilities-elec-wtr-gas	$337,807	
General Mainti	329,851	
Heating Plant	317,412	
Infrastructure Allocations	274,496	
Grounds	150,054	
Facilities - Adm	135,244	
Supply	82,686	
Plumbing	71,282	
Electrical	55,405	
Hvac	45,038	
Refuse	12,218	
Service Contracts	11,428	
Bdg-special Project	5,304	
Locksmith	2,505	
Facility Maintenance	**1,830,730**	**$70.53**
Administration	720,974	
Training/human Resources	370,202	

Expense	Amount	Contribution to Daily Rate
ICF/MR Director- J.r.	201,506	
Accounting	117,415	
Quality Assurance	73,390	
Program Svcs - Adm	31,122	
ITS	16,838	
Xerox & Printing	10,887	
Finance Office/08 Extra Health Ins.	3,432	
Employee Focus	706	
Emp Recognition	702	
Central Administration	**1,547,175**	**$59.61**
Psychology	342,926	
Social Services	209,026	
Physical Therapy	163,409	
Occupational Ther.	149,803	
Speech Therapy	109,652	
Job Development	88,896	
Wheelchair Maint	10,912	
Transportation	245	
Therapies/prog.s Not Regularly Used by SNF	**1,074,871**	**$41.41**
Health Svcs - Adm	360,321	
Health Svc Clerical	143,762	
Medical Records	129,271	
Dentistry	45,121	
Insurance	15,723	
Audiological Svcs	12,877	
Vision Services	1,873	
Infection Control	1,620	
Health Svcs. Adm.(O/p)	527	
Uniform	211	
Central Health Services	**711,305**	**$27.40**
Depreciation	**349,849**	**$14.59**
Lease Vehicle	52,291	
Veh/lease	33,530	
Vehicle Lease	**85,820**	**$3.31**
Total Explained Difference Between SNF Closure Daily Rate and GJRC's ICF/MR Daily Rate	**$5,599,750**	**$216.85**

Some of the remaining difference may be attributable to how the Department allocated expenditures that were reduced as a result of the SNF. For example, the Department reduced the day habilitation and work/leisure therapy expense category for the closure of the SNF, but staff does not have the detail to understand what method the Department used to allocate expenses to the SNF versus other ICF/MR programs.

Many of the expense categories that were excluded from the SNF request appear logical to staff. For example, the SNF population is largely non-ambulatory with very little communication, and so services such as psychology, social services, occupational therapy, and job development that benefit other residents at the Grand Junction Regional Center are used very little, if at all, by the SNF population.

However, there are a few expense categories staff believes the Department probably should have reduced. The SNF represents 21.4 percent of all placements at the GJRC and the staff reductions in the Department's request represent 18.7 percent of all FTE at the GJRC. **Staff recommends that the following expense categories (highlighted in the table above) be reduced in addition to the Department's requested reductions: Administration, Training/Human Resources, Health Services - Administration, Health Services - Clerical, and Medical Records.**

Staff assumes that the workload for Administration and Training/Human Resources correlates to the number of FTE at the GJRC, and so the recommendation is to reduce these categories by an amount equal to the percentage reduction in staff associated with the SNF, or 18.7 percent. Staff assumes that the workload for the Health Services Clerical and Medical Records staff correlates more to the patients served and the paperwork that produces, rather than the number of medical staff. Therefore, staff recommends reducing these expense categories by an amount equal to the percentage reduction in patients served associated with the SNF, or 21.4 percent. The Health Services Administration has supervisory and policy setting duties that don't decline in proportion to the SNF. But, the complexity and volume of work for the Health Services Administration will decline with the closure of the SNF. Staff recommends a 10 percent reduction for Health Services Administration, which is a little less than half the percentage reduction in patients associated with the SNF. Similar to the Health Services Administration, Facility Maintenance costs will not decline in proportion to the SNF. The building still needs to be heated and the grounds maintained. But, expenditures for things like electricity, water, repairs, supplies, and refuse disposal should decrease. Heating is from a central steam plant, but staff assumes that in a moth-balled state the building will lose less heat, potentially leading to lower heating costs for the campus as a whole. Staff recommends a 10 percent reduction to Facility Maintenance, but only the ICF/MR costs. All the other percentage reductions were from expenses for the entire GJRC. The reduction for Facility Maintenance is a very modest reduction, considering that the SNF represents 42 percent of ICF/MR beds. The reason for using ICF/MR expenses only as the basis for the Facility Maintenance reduction is that Facility Maintenance costs vary significantly by location, and staff wanted to use the Department's Medicaid-approved allocation to the ICF/MR program to get closer to the actual costs that would be impacted by the closure of the SNF.

The additional staff recommended reductions save $207,015 net General Fund and 4.6 FTE in FY 2010-11. The detail of the additional reductions recommended by staff can be found in Appendix B at the end of this document.

	FY 2009-10		FY 2010-11	
	FTE	**Amount**	**FTE**	**Amount**

	FY 2009-10		FY 2010-11	
Department Request - Net Impact	(18.1)	($778,375)	(68.1)	($445,778)
General Fund		(329,442)		(8,671)
Client Cash		0		(21,567)
Provider Fees		(59,746)		(203,435)
Federal Funds		(389,187)		(212,105)
Additional Staff Recommended Reductions	0.0	$0	(4.6)	($457,728)
General Fund				(207,015)
Client Cash				0
Provider Fee				(21,791)
Federal Funds				(228,864)
TOTAL Savings	(18.1)	($778,375)	(72.6)	($903,506)
General Fund		(329,442)		(215,686)
Client Cash		0		(21,567)
Provider Fees		(59,746)		(225,226)
Federal Funds		(389,187)		(440,969)

Even with the additional reductions recommended by the JBC staff the closure of the SNF saves only $215,686 General Fund in FY 2010-11, and it results in two fewer available placements for people with developmental disabilities. At the hearing the Department explained the rationale for the closure of the SNF as follows:

> *By moving to the community provider system individuals may have more involvement in the community and will be living in smaller, home like residential settings. In addition, serving individuals in a waiver resource as opposed to a skilled nursing facility bed is more cost efficient.*

It appears the Department over-estimated the cost efficiency of the community placements versus the SNF. The GJRC ICF/MR daily rates per placement are significantly higher than the rates for community placements, but closing just one program within the GJRC does not generate the full savings implied by the ICF/MR daily rate.

In the analysis of the request, staff focused primarily on the expenditures of the GJRC and accepted the Department's requested rate for community placements of $347.27. The Department indicates that most of the SNF population was assessed as having the highest possible SIS score of 7. For most SIS scores the Department has standard rates, but for a score of 7 the Department negotiates a rate with the provider on an individual basis. The rate captures the 2.5 percent reduction in FY 2009-10 rates, but not the additional 2.0 percent reduction proposed for FY 2010-11. If the JBC approves the staff recommendation discussed earlier to apply the 2.0 percent provider rate reduction to the SNF transition placements, it will reduce the cost of those placements. As noted above, the SNF population is too medically fragile to access therapy programs. It's possible that the Department negotiated community placement rates that exceed the costs to the provider.

Personal Services

Description: The personal services line item funds FTE and associated contract services necessary to operate the state's three Regional Centers.

Request: The Department requests SBA #5 for the closure of the Skilled Nursing Facility at the Grand Junction Regional Center, an adjustment for the one-time furlough savings, annualization of funding for new FTE added last year to address quality of care issues associated with staff to client ratios, restoration of a one-time punitive reduction in funding implemented by the JBC last year for the Department submitting an excessively late supplemental request, and the statewide PERA adjustment.

Recommendation: **Staff recommends the adjustments for the closure of the SNF discussed above. Staff recommends the requested furlough adjustment, annualization of new FTE, restoration of the one-time punitive reduction, and a PERA adjustment.** The staff calculation of the PERA adjustment is slightly different than the Department's request due to adjusting for the additional reductions in salaries recommended by staff associated with the closure of the SNF.

In addition, staff recommends consolidating a portion of the Purchase of Services line into this line item, and removing the Provider Fee from this line item to a newly created line item. These reorganizations are discussed in more detail below. The components of the staff recommendation are summarized in the following table.

Personal Services					
	Total	CF- Client Cash	RF - Medicaid	*Net GF*	FTE
FY 2009-10 Appropriation	$49,430,465	$2,290,436	$47,140,029	*$21,477,134*	995.3
SBA #5 Close SNF	(910,211)	(23,793)	(886,418)	*(502,955)*	(18.1)
FY 2009-10 Adjusted	48,520,254	2,266,643	46,253,611	*20,974,179*	977.2
Furlough adjustment	1,433,324	0	1,433,324	*716,662*	0.0
Annualize quality of care FTE	28,417	0	28,417	*14,209*	0.8
One-time late sup. penalty	415,000	0	415,000	*207,500*	0.0
SBA #5 Close SNF - Dept.	(2,437,596)	(206,254)	(2,231,342)	*(1,115,671)*	(46.3)
SBA #5 Close SNF - Staff	(239,132)	0	(239,132)	*(119,566)*	(4.6)

Personal Services	Total	CF- Client Cash	RF - Medicaid	*Net GF*	FTE
PERA 2.5% Reduction	(960,576)	0	(960,576)	*(480,288)*	0.0
Consolidate Purchase of Services	231,707	0	231,707	*115,854*	0.0
Move provider fee to new line	(2,033,135)	0	(2,033,135)	*1,136,059*	0.0
Staff Rec. FY 2010-11	**$44,958,263**	**$2,060,389**	**$42,897,874**	***$21,448,937***	**927.1**

Operating Expenses

Description: Provides for operating costs associated with the staff and client services of the regional centers.

Request: The Department requests SBA #5 for the closure of the Skilled Nursing Facility at the Grand Junction Regional Center, SBA #8 for a department-wide 5.0 percent reduction in operating expenses, and the mail equipment upgrade.

Recommendation: **Staff recommends consolidating a portion of the Purchase of Services line into this line item. The staff recommendation regarding the closure of the SNF is discussed above. Otherwise, the staff recommendation matches the request, except for a slight technical correction to the mail equipment upgrade.** The consolidation of the Purchase of Services line item is discussed in more detail below. The following table summarizes the components fo the staff recommendation.

Operating Expenses	RF - Medicaid	*Net GF*
FY 2009-10 Appropriation	2,759,747	*1,379,874*
SBA #5 Close SNF	(76,881)	*(38,441)*
FY 2009-10 Adjusted	2,682,866	*1,341,433*
Mail equipment upgrade	112	*56*
SBA #5 Close SNF - Dept.	(126,371)	*(63,186)*
SBA #5 Close SNF - Staff	(185,370)	*(92,685)*
SBA #8 Operating reduction	(125,770)	*(62,885)*
Consolidate Purchase of Services	10,918	*5,459*
Staff Rec. FY 2010-11	**2,256,385**	***1,128,193***

Capital Outlay - Patient Needs

Description: This line item provides funding for the purchase of capital equipment that is used by or on behalf of the residents of the Regional Centers. Such equipment includes therapeutic, medical, and adaptive equipment; program equipment and technical aids; health and safety repairs and equipment; and furnishings and environmental improvements.

Request: The Department's request reflects the annualized impact of the proposed closure of the skilled nursing facility at the Grand Junction Regional Center, and a reduction of $164,250 Medicaid Funds ($82,125 net General Fund) for the expiration of one-time funding in FY 2009-10 to address maintenance backlog issues.

Recommendation: **Staff recommends the adjustment for the closure of the SNF discussed above, and the requested reduction for the expiration of one-time funding in FY 2009-10to address maintenance backlog issues.** The request last year that led to the increased funding for maintenance was originally for four years, but the JBC approved only one year of funding, with the understanding the Department could request more in the future, but would need to consider the impacts of downsizing in the request. The Department did not request funding. The backlog of maintenance continues, but presumably addressing the backlog is a lower priority for the Department than direct services. The recommended adjustment for the SNF is discussed above.

Capital Outlay - Patient Needs	RF - Medicaid	*Net GF*
FY 2009-10 Appropriation	244,499	*122,250*
SBA #5 Close SNF	(3,071)	*(1,536)*
FY 2009-10 Adjusted	241,428	*120,714*
SBA #5 Close SNF - Dept.	(5,052)	*(2,526)*
Expiration of one-time maintenance	(164,250)	*(82,125)*
Staff Rec. FY 2010-11	**72,126**	***36,063***

<u>Leased Space</u>

Description: Leased space funds are generally requested for group homes operated by the Regional Centers. At the Pueblo Regional Center, the Department also leases space for regional center administration, maintenance shop, and program at Pueblo West. The appropriation includes $30,000 for a group home operated by the Wheat Ridge Regional Center and $42,820 for space at Pueblo West leased by the Pueblo regional center for administration, maintenance, and programs.

Request: The Department requests continuation funding.

Recommendation: **Staff recommends the requested continuation funding based on the leases.**

<u>Resident Incentive Allowance</u>

Description: This line item provides funding for payments to persons residing at the Regional Centers for services provided to the institution. Those services include such activities as washing vehicles, food preparation, and janitorial services.

Request: The Department requests continuation funding.

Recommendation: **Staff recommends the Department's request for a continuation amount of $138,176.**

Purchase of Services

Description: This line item provides funding for the purchase of contractual services such as security and laundry, as well as various maintenance agreements at the three regional centers. Contracts included are:

- Pueblo Regional Center: A contract between the Colorado Mental Health Institute at Pueblo and the Pueblo Regional Center to provide laundry services, vehicle maintenance, and medical services.
- Wheat Ridge Regional Center: A contract for laundry services.
- Grand Junction Regional Center: Various medical contracts, telephone maintenance contract, lawn maintenance contract, and a contract for pest control.

Request: The Department's request reflects a reduction associated with the closure of the skilled nursing facility at the Grand Junction Regional Center.

Recommendation: **Staff recommends the adjustment for the closure of the SNF discussed above, and consolidating this line item with the Personal Services and Operating line items.** Staff is not sure why these particular contract services have historically been appropriated separately. They are not the only contract services purchased by the Regional Centers. The particular services purchased with funds in this line item are for routine, on-going needs, rather than short term or special purpose projects that it might be valuable to track separately. Based on historical expenditures, 95.5 percent of the contracts are Personal Services and 4.5 percent are operating. The components of the staff recommendation are summarized in the table below.

Purchase of Services	RF - Medicaid	*Net GF*
FY 2009-10 Appropriation	263,291	*131,646*
SBA #5 Close SNF	(7,812)	*(3,906)*
FY 2009-10 Adjusted	255,479	*127,740*
SBA #5 Close SNF - Dept.	(12,854)	*(6,427)*
Transfer to Personal Services	(231,707)	*(115,854)*

Purchase of Services	RF - Medicaid	*Net GF*
Transfer to Operating	(10,918)	*(5,459)*
Staff Rec. FY 2010-11	**0**	***0***

Proposed New Line Item - Provider Fee

Pursuant to H.B. 03-1292, the Department charges ICF/MR facilities, both state-operated and private, a fee for "maintaining the quality and continuity of services." The fee may be up to five percent of the cost of operating the ICF/MR. The revenues from the fee are deposited in a cash fund. The money in the cash fund is then appropriated to offset the need for General Fund to match federal Medicaid dollars in the Department of Health Care Policy and Financing. The sole purpose of the fee is to reduce General Fund expenditures. The Department of Human Services needs spending authority to pay the fee into the cash fund, but the Department is not able to increase salaries or operating expenses with the fee. Currently, the spending authority for the fee is buried in line items the Department does use to provide services to patients. This overstates the actual expenditures in these lines.

Specifically, it appears to staff that the spending authority for the fee is in the Personal Services line item. **Staff proposes moving the spending authority for the Provider Fee to a new, separate line item to more accurately reflect the cost of services versus the cost of the fee financing mechanism.** There is no net increase or decrease in expenditures with the staff recommendation. Staff requests permission to work with the Department on the amount transferred from each line to the new Provider Fee line item, if the staff assumption about the fee being buried in the Personal Services line item is incorrect.

The fee is effective at reducing the need for General Fund because the federal government allows ICF/MR facilities to include the cost of the fee in their calculation of Medicaid-reimbursable expenditures. The table below summarizes how the fee works for ICF/MR costs of $100,000.

	Medicaid	General Fund	Cash Funds	Federal Funds
Cost of operating ICF/MR	100,000	50,000	0	50,000
5% Provider fee (deposited in cash fund)	5,000	2,500	0	2,500
Use fee to offset need for General Fund	0	(5,000)	5,000	0
Total spending authority for ICF/MR	105,000	47,500	5,000	52,500
Match rate	100.0%	45.2%	4.8%	50.0%

In practice, calculating the fee impact on funding for the Regional Centers is much trickier than this simple table, because appropriations for the Regional Centers include both funding for ICF/MR and waiver placements. Also, some of the costs of operating the Regional Center ICF/MR facilities are funded in line items in the Executive Director's Office, such as Health, Life, and Dental. Finally, not all of the Provider Fee revenue is from the Regional Centers. Some of it comes from private providers. So, the impact of the Provider Fee on the General Fund match required for the Regional Centers is not a straight reduction from 50.0 percent to 45.2 percent. But, if the ICF/MR expenses were isolated, the impact would be 45.2 percent.

In addition to more accurately showing the cost of services, staff hopes that appropriating the Provider Fee in a separate line item will ease accounting and tracking of the fee. In theory, every increase or decrease in costs for the ICF/MR facilities, including common policies that impact centrally appropriated items in the Executive Director's Office, should change the Provider Fee revenue. From a practical standpoint, this probably has to happen 1-2 years in arrears, like an indirect cost recovery calculation, or else the variables would never stop moving long enough to set the Provider Fee for the year. Staff is suspicious that the Department's accounting for the Provider Fee is not capturing all of the expenses, and changes in expenses, that would impact the provider fee, and that as a result the Department is under-collecting compared to what the statute allows. As a first step toward better tracking of the provider fee, staff recommends isolating it in a separate line item. Also, there are varying levels of understanding within the Department about the purpose, nature, and function of the Provider Fee. Staff received several confusing, contradictory, and inaccurate explanations of the Provider Fee from Department staff before identifying a small cadre who actually understood how the financing mechanism works. The Department's request for the closure of the SNF included errors in calculating the impact on the Provider Fee. By isolating the Provider Fee in a separate line item, staff hopes to reduce the mischief that misunderstandings of the Provider Fee cause in the Department's budget request.

Based on the staff recommendations for the Personal Services line item and the closure of the SNF, the amount of Medicaid that would transfer to the new line item is $1,867,655.

(2) Other Program Costs

<u>General Fund Physician Services</u>

Description: For some of the regional center clients, the Department has historically been unable to find physicians with the necessary expertise who are also willing to provide services for the Medicaid reimbursment rates. The complicated medical needs and extremely rare diagnoses of the regional center clients include Tuberous Sclerosis, PKU, Moebius Syndrome, Progressive Leukodystrophy, Trisomy 9, extremely complicated seizure disorders, orthopedic problems, chronic pain, and diverse psychological issues. As a result, in FY 2006-07 the General Assembly began providing General Fund and state FTE for the Department to hire physicians.

Request: The Department requests adjustments for the one-time furlough savings and the 2.5 percent PERA rate reduction.

Recommendation: **Staff recommends the Department's request.**

<u>ICF/MR Adaptations</u>

Description: This line item was requested for FY 2008-09 only pursuant to Decision Item #6. **No appropriation is requested or recommended for FY 2009-10.**

^^

DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

(6) DEPARTMENT OF HUMAN SERVICES MEDICAID-FUNDED PROGRAMS
(F) Services for People with Disabilities - Medicaid Funding
<u>Regional Center Depreciation and Annual Adjustments</u>

Description: Federal rules allow states to draw Medicaid for some capital costs related to facilities for people with developmental disabilities using a depreciation method. Depreciation amounts are included in the daily rates the Department of Human Services charges to the Department of Health Care Policy and Financing for regional center consumers. However, because depreciation is associated with a past expenditure, it is not an operating expense that is included in the Department of Human Services operating budget. Instead, the depreciation amounts paid by HCPF (which are based on a standard 50-50 General Fund-federal funds match) are reverted at the end of the year. Appropriating General Fund for depreciation allows the state to draw federal dollars, but then the General Fund and federal funds revert to the General Fund at the end of the year. In addition, provision of this line item assists the State in managing the discrepancy that may exist between the cash funds accounting in HCPF and the accrual accounting in Human Services (the "annual adjustments" component).

Request: The Department requested continuation funding.

Recommendation: **Staff recommends continuation funding.** Staff is working with the Department to update the estimate of depreciation and may bring a comeback to the Committee if additional information is available before introduction of the Long Bill. Also, rather than letting this money revert every year, staff is exploring whether it would violate any federal regulations to appropriate the money to offset the need for General Fund. Since the money is intended to address facility expenses, it might be reasonable to appropriate the money for maintenance costs of the Regional Centers.

(C) Work Therapy

<u>Program Costs</u>

Description: This cash funds appropriation provides spending authority for sheltered workshop programs that train and employ 300 clients of the regional centers (approximately 65 percent of the funds), and of the Colorado Mental Health Institute at Fort Logan (approximately 35 percent of the funds). Revenue is derived from contracts with area businesses and organizations for custodial services, printing, packaging, mailing, and other types of manual processing that can be performed by program clients. Enrolled clients are paid from funds received in proportion to the work performed.

Request: The Department requests continuation funding.

Recommendation: **Staff recommends the requested continuation funding.** The spending authority is for earned revenue.

(D) Division of Vocational Rehabilitation

The Division of Vocational Rehabilitation assists people whose disabilities result in barriers to employment or independent living to attain or maintain employment and to live independently. The Division has field and satellite offices in 43 locations throughout the State, where rehabilitation counselors work with clients to assess needs and identify appropriate services. For rehabilitation programs, the federal government provides reimbursement for 78.7 percent of eligible expenditures up to the total annual federal grant for the State. In Colorado, the match for these expenditures includes General Fund (Rehabilitation Programs - General Fund Match) and local government funds, primarily from school districts (Rehabilitation Programs - Local Funds Match). The Division also administers federal and state grants to assist individuals with disabilities to live independently, including grants to independent living centers throughout Colorado and grants for programs that assist older blind individuals.

<u>Rehabilitation Programs - General Fund Match</u>
Description: Core rehabilitation services include: counseling and guidance, job development or placement, mental restoration service, occupational licenses, tools and equipment, physical restoration services, assistive technology, specialized services for a specific disability, telecommunications services, and training. Because the focus of this program is employment, services generally do not include medical treatment or rehabilitation.

The General Fund in this line item has an "M" notation next to it, indicating that the General Fund is used to match federal funds, and pursuant to the Long Bill headnote instructions any mid-year increase or decrease in the available federal funds causes a proportional decrease in the General Fund.

Request: The Department's request reflects the following:

- Furlough adjustment
- Statewide mail equipment upgrade
- Statewide 2.5 percent PERA reduction
- BR #4 for a 2.0 percent community provider rate decrease
- SBA #8 to reduce total Department operating expenses paid from the General Fund by 5.0 percent.

Recommendation: **Staff recommends transferring the Study of Employment of Persons with Developmental Disabilities line item into this line item.** The recommendation is discussed under the Study of Employment of Persons with Developmental Disabilities line item heading.

Otherwise, staff recommends the Department's request, except for a small adjustment to the mail equipment upgrade due to a technical error in the request. The components of the staff recommendation are summarized in the table below.

Rehabilitation Programs - General Fund Match	Total	General Fund	Federal Funds	FTE
FY 2009-10 Appropriation	19,416,945	4,129,395	15,287,550	224.7
Furlough adjustment	391,737	83,440	308,297	0.0
Mail equipment upgrade	719	154	565	0.0
PERA 2.5% Reduction	(285,202)	(60,748)	(224,454)	0.0
BR #4 2.0% Provider rate decrase	(80,890)	(17,230)	(63,660)	0.0
SBA #8 Operating reduction	(87,247)	(15,317)	(71,930)	0.0
Study of Employment of Persons with Developmental Disabilities	50,875	10,836	40,039	1.0
Staff Rec. FY 2010-11	**19,406,937**	**4,130,530**	**15,276,407**	**225.7**

<u>Rehabilitation Programs - Local Match</u>

Description: Similar to the Rehabilitation Programs - General Fund Match line item, but the match for federal funds comes from local sources, including: donations, funds from local governments interested in extending vocational rehabilitation services to qualified participants in the Temporary Assistance to Needy Families (TANF) program, and school districts participating in the School-to-Work Alliance Program (SWAP).

The largest source of local funds (87 percent) is school districts participating in the SWAP. In the SWAP program, school districts provide the required match for federal funds and in return receive a 1:1 match from the state on their original contribution. These funds are used to provide job development, on-the-job training, and job-site support to students with disabilities. Additional federal funds received by the Division in excess of the federal funding provided to the school district are used to support other core vocational rehabilitation services. Approximately 85 percent of the state's school districts participate in the SWAP and the program serves over 3,000 youth annually.

In addition to the SWAP, this line item includes funds from other state and local agencies that have contracts with the Division to provide services to their clients. This includes contracts with community colleges and the Department's Mental Health Services section, among others. In these two examples, community college funds and General Fund transferred from Mental Health Services provide the match for federal vocational rehabilitation dollars.

The cash funds in this line item have a "H" notation, indicating that the cash funds are used to match federal funds, and pursuant to the Long Bill headnote instructions any mid-year increase or decrease in the available federal funds causes a proportional decrease in the cash funds.

Request: The Department's request reflects the following:

- Furlough adjustment
- Statewide mail equipment upgrade
- Statewide 2.5 percent PERA reduction
- BR #4 for a 2.0 percent community provider rate decrease

Recommendation: **Staff recommends the Department's request (except for a small adjustment to the mail equipment upgrade due to a technical error in the request) plus an increase in cash spending authority to match additional projected federal funds.** An estimate from the Division of Vocational Rehabilitation staff indicates that the combination of common policy reductions to this line item and the General Fund Match line item, along with an expected increase in the available federal funds, could result in Colorado underutilizing the maximum potential federal funds. The additional spending authority necessary to match the DVR staff's projection of the available federal funds is $1,675,770. Staff notes that at the end of FY 2008-09 the Department rolled forward $1,382,887 in excess of the local funds necessary to fully match the available federal funds. The last couple of years the Department has rolled forward local funds. The Department may be able to use rollforward funds to match the projected increase in available federal funds without any increase in local contributions required.

The components of the staff recommendation are summarized in the table below.

Rehabilitation Programs - Local Funds Match	Total	Cash Funds	RF - Schools and State Agencies	Federal Funds	FTE
FY 2009-10 Appropriation	23,741,759	34,835	5,037,394	18,669,530	18.0
Furlough adjustment	8,286	290	1,475	6,521	0.0
Mail equipment upgrade	72	0	15	57	0.0
PERA 2.5% Reduction	(6,032)	(211)	(1,074)	(4,747)	0.0
BR #4 2.0% Provider rate decrease	(179,150)	(179)	(37,980)	(140,991)	0.0
Increase to match projected federal	7,867,465	0	1,675,770	6,191,695	0.0
Staff Rec. FY 2010-11	**31,432,400**	**34,735**	**6,675,600**	**24,722,065**	**18.0**

American Reinvestment and Recovery Act - Vocational Rehabilitation Funding

Description: Reflects federal funds from the American Recovery and Reinvestment Act allocated to vocational rehabilitation programs.

Request: The Department's request reflects that the majority of the one-time money has been used and a smaller amount remains available for FY 2010-11.

Recommendation: **Staff recommends the request based on the remaining available federal funds.**

Business Enterprise Program for People who are Blind

Description: The Business Enterprise Program assists blind or visually-impaired individuals in operating vending and food service businesses in approximately 45 state and federal buildings. There are no General Fund dollars associated with this program. In addition to federal funds, money from the Business Enterprise Cash Fund (vendor assessments) supports the program. The program is the result of the federal Randolph-Sheppard Vending Facility Program (34 C.F.R. 395.3 (11) (iv), and associated state law at Section 26-8.5-100, C.R.S., which give priority to blind and visually impaired individuals who wish to operate and manage food and vending services in federal and state government office buildings and facilities.

Funding in this line item supports site development, initial merchandise and supply inventory, purchasing equipment, and providing technical support to vendors. After initial set-up is established, managers operate the facility with revenue from food sales. All operators pay a certain percentage of their profits (up to 13 percent) to support the program. These assessments are deposited into the Business Enterprise Cash Fund that, in combination with matching federal funds, supports this line item and the associated Program Operated Stands, Repair Costs, and Operator Benefits line item. The federal government matches most expenditures associated with the program, and all amounts in this line item, at a 78.7 percent rate.

Request: The Department requests DI #9 to make a technical adjustment to the Business Enterprise line items, and adjustments for the furlough and PERA rate.

Recommendation: **Staff recommends the request.** The technical adjustment is merely to isolate funding that is matched by the federal government at the 78.7 percent rate from funding that is not matched. The Department believes this will ease accounting for the programs.

Business Enterprise Program - Program Operated Stands, ~~Repair Costs,~~ and Operator Benefits

Description: This is the second of two line items associated with the Business Enterprise Program. This line item supports remodeling and improving the vending and food service projects run by the Business Enterprise Program when there is no operator presently assigned to the site. The Department directly administers Business Enterprise Program vending and food service establishments in the period between the departure of one blind vendor and the assumption of a vending stand by another. In addition to federal funds, revenues from the operation of the vending stands and payments by the vendors support this program. This line item includes: expenditures for costs associated with temporary state operation of vending facilities when a vendor leaves the program; equipment maintenance and repair during this interim period; and payments to operators to support their health insurance, IRA contributions, and vacation pay (operators are not state employees). The leasehold improvements portion of expenditures are eligible for federal match at the rate of 78.7 percent; other costs in this line item are not eligible for federal match. Expenses and revenues in this line item are highly unpredictable, as they are dependent upon whether one or more operators abandon sites during the year.

Request: The Department requests DI #9 to make a technical adjustment to the Business Enterprise line items.

Recommendation: **Staff recommends the request.** The technical adjustment is merely to isolate funding that is matched by the federal government at the 78.7 percent rate from funding that is not matched. The Department believes this will ease accounting for the programs.

Independent Living Centers and State Independent Living Council

Description: Independent living grants help train and assist disabled individuals to live and function outside of an institution. The grantee provides the cash funds portion of the match for the federal dollars. In FY 1997-98, the General Assembly added a General Fund grants program to this line. These General Fund grants have historically been equally distributed among the State's ten independent living centers.

Request: The Department's request reflects a decline in the remaining available federal funds through the American Recovery and Reinvestment Act and BR #4 for a 2.0 percent community provider rate reduction.

Recommendation: **Staff recommends the request.**

Older Blind *Grants*

Description: This line item provides independent living services to persons age 55 or older who are blind or visually impaired. Most have become blind in later life. Eligible persons are provided assistance in learning new strategies for accomplishing daily tasks and participating in community and family activities. Independent living centers and other community agencies are eligible to receive funding under an RFP process. Grants are currently awarded to six independent living centers and the Colorado Center for the Blind. Funding is based on 90 percent federal funds matched with 10 percent funds from recipients.

Request: The Department requests continuation funding.

Recommendation: **Staff recommends continuation funding.** Of the total, $248,789 is from the American Recovery and Reinvestment Act.

Traumatic Brain Injury Trust Fund

Description: The Traumatic Brain Injury Trust Fund receives revenue from a $20.00 surcharge for DUI and related convictions and $15.00 surcharge for speeding violations. The Board may also accept gifts, grants, and donations, although none have been forthcoming. At least 55 percent of the money must be spent for direct services for people with traumatic brain injuries, at least 25 percent for research, and at least 5 percent for education. The Board has discretion over the remaining 10 percent.

Request: The Department's request includes the impacts of the statewide mail equipment upgrade, the PERA rate reduction, the one-time furlough adjustment, and the annualization of S.B. 09-133 (Spence/Primavera) that increased surcharges on traffic violations to support traumatic brain injury services. The Department also requests a reduction of $500,000 one-time spending authority provided in FY 2009-10 to reduce the balance in the Traumatic Brain Injury Trust Fund and address wait lists for services.

Recommendation: **Staff recommends the Department's request, except for a small adjustment to correct a technical error in the request for the mail equipment upgrade.** The components of the staff recommendation are summarized in the table below.

Traumatic Brain Injury Trust Fund	Cash Funds	FTE
FY 2009-10 Appropriation	3,649,859	1.5
Furlough adjustment	2,597	0.0
Mail equipment upgrade	(13)	0.0
PERA 2.5% Reduction	(1,891)	0.0
One-time from fund balance	(500,000)	0.0
Annualize S.B. 09-133	146,100	0.0
Staff Rec. FY 2010-11	**3,296,652**	**1.5**

Estimated Federal Social Security Reimbursement

Description: States receive incentive payments when vocational rehabilitation programs successfully remove people from the federal Supplemental Security Income (SSI) program.

Request: The Department requests continuation funding.

Recommendation: **Staff recommends continuation funding.** The line item provides a more complete picture of the funds available for vocational rehabilitation, but it is shown for informational purposes only, since the legislature does not control the use of the funds.

<u>Study of Employment of Persons with Developmental Disabilities</u> <u>(S.B. 08-004)</u>

Description: Senate Bill 08-004 (Keller/Gardner B.) created a state employment program for persons with developmental disabilities. A work group with representatives from the Department of Human Services and the Department of Personnel was responsible for, among other things, promulgating rules to implement the program. After implementation of the program, the ongoing statutory responsibilities of the Department include providing guidance to the hiring state agencies regarding any additional issues pertinent to the employment of a person with disabilities, and regularly providing information to state agencies to explain and promote the program.

Request: The Department requests continuation funding.

Recommendation: **Staff recommends folding this line into the General Fund Match line item to access a 78.7 percent federal match for the state contribution.** There were significant up-front costs associated with promulgating the rules. The Department's on-going statutory outreach duties are less intense in comparison, and staff believes there is a nexus between this out-reach and the job development performed by the Division using the money in the General Fund Match and Local Funds Match line items. At the time the bill was passed, the Department was fully matching all available federal funds and so no additional federal funds were projected as available to fund this program. Also, staff would argue that the initial costs for the workgroup to develop the rules for the program was less of a fit with the federally-funded vocational activities than the on-going outreach necessary to continue implementation of the program. The Division staff now project that additional federal funds will be available in FY 2010-11, and have raised concerns that the Department's request may not provide sufficient spending authority to fully match the available federal funds (see the discussion under the Local Funds Match line item for more detail). The table below summarizes the savings associated with the staff recommendation.

	TOTAL	General Fund	Federal Funds
Study of Employment of Persons with Developmental Disabilities	($50,875)	($50,875)	$0
General Fund Match	$50,875	$10,836	$40,039
Net Impact	$0	($40,039)	$40,039

(E) Homelake Domiciliary and State and Veterans Nursing Homes

The Department of Human Services operates six state and veterans nursing homes and one domiciliary (assisted living facility) located throughout the State. The nursing homes and domiciliary operate as an enterprise, have continuous authority to spend funds received, and generally do not require General Fund operating subsidies. Nonetheless, they are reflected in the Long Bill because they are state owned, employ significant numbers of state FTE, and present a significant financial liability to the State should they fail, due to obligations the State accepts when it accepts federal grants for construction and renovation of veterans nursing homes.

Pursuant to Section 26-12-101 through 208, C.R.S. the Department of Human Services is authorized to build, maintain, and operate nursing homes. Such nursing homes, when operated by the State for the benefit of veterans, their spouses, and dependants, are eligible for federal assistance, including assistance in construction costs and per-diem payments on behalf of eligible resident veterans. Federal authorities authorize grants of up to 65 percent of total costs for the construction of state veterans nursing homes. In return for this funding, as well as per-diem payments for veterans, the State must agree that: (1) a minimum of 75 percent of residents will be veterans and the remaining 25 percent will include spouses or parents whose children died while serving; (2) the facility will remain a veterans home for a minimum of 20 years; and (3) the facility will maintain Veterans Administration (VA) certification. To maintain such certification the facility must submit to various federal audits and surveys demonstrating compliance with VA rules. If any of these requirements are not met, the State is required to repay the VA construction funding.

Five of the six nursing homes operated by the state are certified as veterans nursing homes (the Trinidad home is not). One of the six homes (in Walsesnburg) is operated on a contractual basis, while the remaining five are operated and staffed by state FTE. Senate Bill 09-56 authorized the Department of Human Services to transfer the Trinidad nursing home, the only nursing home that is not a federally-subsidized veterans nursing home, to a non-state entity.

Homelake Domiciliary State Subsidy

Description: The Homelake Domiciliary is a 46-bed facility in Monte Vista that serves residents who do not require continuous nursing or medical care, but may need assistance with meals, housekeeping, personal care, laundry, and access to a physician. Residents pay rental fees that are subsidized by U.S. Veteran's Administration per diem payments. Residents are veterans or their relations.

Request: The Department requests continuation funding.

Recommendation: **Staff recommends the requested continuation funding.** If state funding were reduced or eliminated, the Department would need to increase resident fees to compensate. The staff recommendation is based on the General Assembly's historic practice of subsidizing those resident fees, but this is a line item the JBC could consider reducing to address the budget deficit.

Nursing Home Consulting Services

Description: Funding for this program was discontinued in the supplemental bill. Annual General Fund for these services was originally provided in FY 2005-06 in response to recommendations of the Fitzsimons Accountability Committee, the Colorado Board of Veterans Affairs, and the Commission on State and Veterans Nursing Homes established pursuant to H.B. 05-1336. The consulting services: (1) assisted the state-operated homes in identifying and correcting areas of improvement in the provision of services to residents; (2) increased the census, where appropriate, at each home; (3) provided an independent and regular assessment of the performance of each home, based on selected key performance indicators; and, (4) regularly reported this performance data to the appropriate oversight entities.

Request: The Department did not request funding.

Recommendation: **Staff recommends no funding in FY 2010-11, consistent with the General Assembly's decision to discontinue funding in the supplemental bill.**

Nursing Home Indirect Costs Subsidy

Description: This line item was added in FY 2007-08 to more explicitly reflect the General Fund subsidy for the State and Veterans Nursing Home indirect costs. The amount shown in the line item is based on the estimated indirect costs associated with Department services to the nursing homes. The total is shown as General Fund in this line item and as reappropriated funds in the Department's Office of Operations, to which the funds are transferred.

Request: The Department requests continuation funding.

Recommendation: **Staff recommends the requested continuation funding.** If state funding were reduced or eliminated, the Department would need to increase resident fees to compensate. The staff recommendation is based on the General Assembly's historic practice of subsidizing those resident fees, but this is a line item the JBC could consider reducing to address the budget deficit. This estimate of the indirect subsidy hasn't been updated in a couple of years. In the future, staff would like to see the Department annually adjust this amount to more accurately reflect the indirect cost subsidy to the nursing homes based on the Department's indirect cost recovery plan.

Program Costs

Description: This line item is intended to provide an estimate of state and veterans nursing home expenditures for the six homes and Homelake Domiciliary. Cash amounts reflect patient pay revenue, and federal amounts reflect federal per diem payments. Amounts include the "double count" of any General Fund appropriations (such as for Homelake) that are deposited to the Central Fund for use by the nursing homes. The nursing home system is an enterprise, and the amounts shown are not counted as state revenue for purposes of Article X, Section 20 of the State Constitution, except in years in which large capital construction amounts are appropriated. Further, the nursing homes have continuous spending authority for funds received pursuant to Article 12 of Title 26, C.R.S. Thus, **this line item is shown solely for informational purposes**.

Amounts shown reflect total expenditures for the nursing home system, including payments for the Division of State and Veterans Nursing Homes in the Department and costs considered "non-operating" such as depreciation.

Request: The Department requests continuation funding.

Recommendation: **Staff recommends the Department's request.** The table below reflects projected revenue and expenditures for the nursing homes and Homelake Domiciliary for FY 2009-10.

State and Veterans Nursing Homes - FY 2009-10 Projected Income Statement								
	Trinidad	Homelake	McCandless (Florence)	Rifle	Walsenburg	Fitzsimons	Division	TOTAL
REVENUE								
Operating	$7,161,782	$5,398,919	$9,589,673	$7,238,825	$2,570,829	$20,160,859	799,438	52,920,326
Non-operating [1]	0	10,113	547,130	0	0	469	0	557,711
Total Revenue	$7,161,782	$5,409,032	$10,136,802	$7,238,825	$2,570,829	$20,161,328	$799,438	$53,478,037
EXPENSES								
Operating	$7,248,136	$5,305,348	$8,986,458	$8,258,157	$2,512,025	$18,399,088	799,438	51,508,650
Non-operating [2]	134,282	232,868	357,168	174,299	0	932,519	0	1,831,136
Total Expense	$7,382,418	$5,538,216	$9,343,627	$8,432,455	$2,512,025	$19,331,607	$799,438	$53,339,786
Operating Profit	($86,354)	$93,571	$603,214	($1,019,331)	$58,804	$1,761,771	$0	$1,411,676
Total Profit	($220,636)	($129,184)	$793,176	($1,193,630)	$58,804	$829,721	$0	$138,251

(1) Non-operating revenue reflects interest and any funding for capital construction.

(2) Reflects depreciation, except at the Fitzsimons home, where also includes bond/note costs.

(1) EXECUTIVE DIRECTOR'S OFFICE

(B) Special Purpose

A couple of the line items in the Special Purpose subdivision of the Executive Director's Office are related to services for people with disabilities and are discussed here in this figure setting.

Developmental Disabilities Council

Description: This federally funded council of 24 appointed representatives is responsible for providing coordination, planning and advice on developmental disability services, including development of a state plan for developmental disability services.

Request: The Department's request includes adjustments for the statewide PERA rate reduction , mail equipment upgrade, and furlough adjustment.

Recommendation: **Staff recommends the request, except for a slight technical correction to the mail equipment upgrade.** The components of the staff recommendation are summarized in the table below.

Developmental Disabilities Council		
	Federal Funds	FTE
FY 2009-10 Appropriation	872,614	6.0
Furlough adjustment	9,540	0.0
2.5 percent PERA reduction	(6,946)	0.0
Mail equipment upgrade	317	0.0
Staff Rec. FY 2010-11	**875,525**	**6.0**

Colorado Commission for the Deaf and Hard of Hearing

Description: Created in FY 2000-01, the Colorado Commission for the Deaf and Hard of Hearing is codified at Section 26-21-101, et. seq., C.R.S. The Commission is responsible for: (1) facilitating the provision of general government services to persons who are deaf and hard of hearing; (2) distributing telecommunications equipment for persons who are deaf and hard of hearing; and (3) overseeing provision of legal interpreters for the hearing impaired. The General Fund pays for a portion of the legal interpreters program and the remainder of the funding comes from a transfer from the Colorado Disabled Telephone Users Fund (DTUF) to the Colorado Commission for the Deaf and Hard of Hearing Cash Fund. The Commission may also receive and expend gifts, grants and donations.

Request: The Department requests BR #4 for a 2.0 percent community provider rate decrease, SBA #8 for a department-wide 5.0 percent decrease in operating funds, annualization of S.B. 09-144 (Kester/Gagliardi) that expanded the duties of the Commission and increased telephone fees, and adjustments for the statewide PERA reduction, furlough adjustment, and mail equipment upgrade.

Recommendation: **Staff recommends the Department's request with two technical corrections.** First, the appropriation clause in S.B. 09-144 contained an error that the Department carried forward in the request, and then compounded when the Department tried to annualize the impact of S.B. 09-144. The appropriations clause for S.B. 09-144 provided $135,189 cash funds from the Disabled Telephone Users Trust Fund to the Department for deposit in the Deaf and Hard of Hearing Cash Fund, and then Reappropriated Funds spending authority from the Deaf and Hard of Hearing Cash Fund for the operations of the Commission. The appropriation in S.B. 09-144 from the Disabled Telephone Users Cash Fund should have been made in the Department of Revenue, and this is true for cash funds to annualize the cost of S.B. 09-144 as well. All of the spending authority for the Department of Human Services associated with S.B. 09-144 should be Reappropriated Funds from the Deaf and Hard of Hearing Cash Fund. The staff recommendation corrects this error. Second, the Department made a slight technical error in annualizing the mail equipment upgrade that the staff recommendation corrects. The components of the staff recommendation are summarized in the table below.

Colorado Commission for the Deaf and Hard of Hearing					
	Total	GF	CF- Disabled Telephone Users	RF - Deaf and Hard of Hearing Cash Fund	FTE
FY 2009-10 Appropriation	1,057,962	131,442	135,189	791,331	4.4
Annualize 09-144	117,462	0	0	117,462	1.4
Furlough adjustment	6,266	1,065	0	5,201	0.0
Mail equipment upgrade	(17)	0	0	(17)	0.0
PERA 2.5% Reduction	(4,563)	(776)	0	(3,787)	0.0
SBA #8 Operating reduction	(1,272)	(1,272)	0	0	0.0
2.0% Provider rate decrease	(2,650)	(2,650)	0	0	0.0
Move CF to Reg. Agencies	(135,189)	0	(135,189)	0	0.0
Staff Rec. FY 2010-11	**1,037,999**	**127,809**	**0**	**910,190**	**5.8**

The staff recommendation for this line item for reappropriated funds encompasses a matching cash funds appropriation to the Department of Regulatory Agencies, Public Utilities Commission, Colorado Commission for the Deaf and Hard of Hearing Cash Fund from amounts in the Disabled Telephone Users Fund.

<u>Colorado Commission for Individuals who are Blind or Visually Impaired</u>

Description: The Commission provides advice on programs administered by the Division of Vocational Rehabilitation for individuals who are blind or visually impaired and serves as an information resource and liaison between the blind and visually impaired community and the executive and legislative branches. The appropriation for the Commission is from the Disabled Telephone Users Fund and is transferred from the Department of Regulatory Agencies, Public Utilities Commission up to a maximum of $112,067, per statutory restrictions.

Request: The Department requests continuation funding.

Recommendation: **Staff recommends continuation funding, which is also the statutory maximum for the program.** This amount includes $58,617 and 1.0 FTE, $500 for general operating costs, $45,000 for contract costs including reader services and assessment studies, and $7,950 for member reimbursement and meeting costs.

The staff recommendation for this line item for reappropriated funds encompasses a matching cash funds appropriation to the Department of Regulatory Agencies, Public Utilities Commission, Colorado Commission for Individuals who are Blind or Visually Impaired from amounts in the Disabled Telephone Users Fund.

<u>Long Bill Footnotes</u>

Staff recommends that the following footnotes be **<u>continued</u>**:

28 **Department of Human Services, Services for People with Disabilities, Community Services for People with Developmental Disabilities, Program Costs --** It is the intent of the General Assembly that expenditures for these services be recorded only against the Long Bill group total for Program Costs.

<u>Comment:</u> Provides the Department with flexibility to move funds between line items in the Program Costs section of the budget.

29 **Department of Human Services, Services for People with Disabilities, Community Services for People with Developmental Disabilities, Other Community Programs, Preventive Dental Hygiene --** The purpose of this appropriation is to assist the Colorado Foundation of Dentistry in providing special dental services for persons with developmental disabilities.

<u>Comment:</u> Explains the purpose of the appropriation. The Department is in compliance, using the money to assist the Colorado Foundation of Dentistry.

<u>Information Requests</u>

Staff recommends that the following requests for information be **<u>continued</u>**:

39 **Department of Human Services, Services for People with Disabilities, Division of Vocational Rehabilitation, Rehabilitation Programs --** Local Funds Match – The Department is requested to provide a report to the Joint Budget Committee, by November 1 of each year, that details deferred cash and reappropriated funds revenue on its books as of the close of the preceding fiscal year.

<u>Comment:</u> This is an annual report and provides useful information for keeping track of rollforward funds.

The required match rate for federal funds in the Rehabilitation Programs -- Local Funds Match line item is 21.3 percent. In some years the Division receives more in local funds than the minimum required to match the available federal funds. The excess is rolled forward and used to match federal funds for direct services in the next year. In FY 2008-09 the Division received $1,382,887 local funds in excess of the necessary match for federal funds.

The primary source of local funds for vocational rehabilitation programs is school districts participating in the School-to-Work Alliance Program (SWAP). These school districts "over-match" and pay 50 percent of program costs, rather than 21.3 percent. The Department uses the over-match to pay for services beyond the school districts. Without this over-match, the Department would have insufficient General Fund to draw down all available federal funds and would need to further curtail services to eligible applicants.

Staff recommends the following requests for information be **eliminated**:

38 **Department of Human Services, Services for People with Disabilities, Division of Vocational Rehabilitation --** The Department is requested to provide an update, by November 1, 2009, on the Division of Vocational Rehabilitation's efforts to operate within existing funding constraints. This is requested to include information on the effectiveness of restrictions imposed during FY 2008-09 and the status of "order of selection" restrictions on new applicants.

Comment: The Department submitted the report as requested.

Appendix A - Program Costs

	Resources GF	Resources Medicaid	Total Funds	GF	CF - Client Cash	RF - Medicaid	RF - HCEF/DVR	Net GF
Adult Comprehensive Services								
FY 2009-10 Appropriation	66.0	4,163.5	$269,252,228	$1,650,459	$30,382,059	$237,219,710	$0	$120,260,314
Supplemental resources for SNF (at 2.5% reduced rate)		3.3	443,207	0	23,705	419,502	0	209,751
FY 2009-10 Adjusted Appropriation	66.0	4,166.8	$269,695,435	$1,650,459	$30,405,764	$237,639,212	$0	$120,470,065
Annualize SNF supplemental (at 2.5% reduced rate)		25.7	3,440,964	0	184,613	3,256,351	0	1,628,176
Annualize 09-10 new foster care placements		18.5	1,618,991	0	135,180	1,483,811	0	741,906
Annualize 09-10 transfers from regional centers		10.0	638,400	0	73,070	565,330	0	282,665
Annualize 2.5 percent supplemental provider rate reduction			(1,562,182)	0	0	(1,562,182)	0	(781,091)
Subtotal - annualizations	0.0	54.2	$4,136,173	$0	$392,863	$3,743,310	$0	$1,871,655
2.0 percent provider rate reduction for FY 10-11			(4,827,650)	0	0	(4,827,650)	0	(2,413,825)
Subtotal - New FY 10-11 policies			($4,827,650)	$0	$0	($4,827,650)	$0	($2,413,825)
Staff Recomendation FY 2010-11	66.0	4,221.0	$269,003,958	$1,650,459	$30,798,627	$236,554,872	$0	$119,927,895
Adult Supported Living Services								
FY 2009-10 Appropriation	692.0	3,248.0	$53,301,167	$7,974,941	$0	$45,326,226	$0	$30,638,054
Annualize 09-10 transfers from Childern's Extensive Support		14.5	215,804	0	0	215,804	0	107,902
Annualize 2.5 percent supplemental provider rate reduction			(294,097)	0	0	(294,097)	0	(147,049)
Subtotal - annualizations	0.0	14.5	($78,293)	$0	$0	($78,293)	$0	($39,147)
2.0 percent provider rate reduction for FY 10-11			(904,959)	0	0	(904,959)	0	(452,480)
Subtotal - New FY 10-11 policies	0.0	0.0	($904,959)	$0	$0	($904,959)	$0	($452,480)
Staff Recomendation FY 2010-11	692.0	3,262.5	$52,317,915	$7,974,941	$0	$44,342,974	$0	$30,146,428
Early Intervention Services								
FY 2009-10 Appropriation	2,176.0		$11,098,328	$11,098,328	$0	$0	$0	$11,098,328
Subtotal - New FY 10-11 policies	0.0	0.0	$0	$0	$0	$0	$0	$0
Staff Recomendation FY 2010-11	2,176.0	0.0	$11,098,328	$11,098,328	$0	$0	$0	$11,098,328

Appendix A - Program Costs

	Resources				CF -	RF -	RF -	
	GF	Medicaid	Total Funds	GF	Client Cash	Medicaid	HCEF/DVR	Net GF
Family Support Services								
FY 2009-10 Appropriation	1,226.0		$6,405,926	$6,405,926	$0	$0	$0	$6,405,926
Eliminate LB reference to # of resources	(1,226.0)		0					
4.5 percent provider rate reduction for FY 10-11			(288,267)	(288,267)	0	0	0	($288,267)
Subtotal - New FY 10-11 policies	(1,226.0)	0.0	($288,267)	($288,267)	$0	$0	$0	($288,267)
Staff Recomendation FY 2010-11	0.0	0.0	$6,117,659	$6,117,659	$0	$0	$0	$6,117,659
Children's Extensive Support Services								
FY 2009-10 Appropriation	0.0	393.0	$6,753,676	$0	$0	$5,686,590	$1,067,086	$2,843,295
Annualize 2.5 percent supplemental provider rate reduction			(43,017)	0	0	(36,221)	(6,796)	(18,111)
2.0 percent provider rate reduction for FY 10-11			(134,213)	0	0	(113,007)	(21,206)	($56,504)
Subtotal - New FY 10-11 policies	0.0	0.0	($177,230)	$0	$0	($149,228)	($28,002)	($74,614)
Staff Recomendation FY 2010-11	0.0	393.0	$6,576,446	$0	$0	$5,537,362	$1,039,084	$2,768,681
Case Management								
FY 2009-10 Appropriation	3,713.0	7,979.5	$22,761,753	$3,888,010	$0	$18,802,801	$70,942	$13,289,411
Annualize 09-10 new foster care placements		18.5	46,787	0	0	46,787	0	23,394
Annualize 09-10 transfers from regional centers		10.0	25,290	0	0	25,290	0	12,645
Annualize 09-10 transfers from Childern's Extensive Support		14.5	36,685	0	0	36,685	0	18,343
Annualize 2.5 percent supplemental provider rate reduction			(122,934)	0	0	(122,482)	(452)	(61,241)
Subtotal - annualizations	0.0	43.0	($14,172)	$0	$0	($13,720)	($452)	($6,860)
2.0 percent provider rate reduction for FY 10-11			(377,192)	0	0	(375,782)	(1,410)	(187,891)
Subtotal - New FY 10-11 policies			($377,192)	$0	$0	($375,782)	($1,410)	($187,891)
Staff Recomendation FY 2010-11	3,713.0	8,022.5	$22,370,389	$3,888,010	$0	$18,413,299	$69,080	$13,094,660
Special Purpose								
FY 2009-10 Appropriation			$529,314	$0	$0	$38,000	$491,314	$19,000
Restore one-time supplemental reduction			360,844	360,844	0	0	0	360,844
2.0 percent provider rate reduction for FY 10-11			(10,586)	0	0	(760)	(9,826)	($380)
Subtotal - New FY 10-11 policies	0.0	0.0	$350,258	$360,844	$0	($760)	($9,826)	$360,464
Staff Recomendation FY 2010-11	0.0	0.0	$879,572	$360,844	$0	$37,240	$481,488	$379,464
TOTAL - PROGRAM COSTS			$368,364,267	$31,090,241	$30,798,627	$304,885,747	$1,589,652	$183,533,115

Appendix B - Closure of the Skilled Nursing Facility at the Grand Junction Regional Center

Salary Savings by Month (June is billed in FY 2010-11 due to the pay date shift)												FY 2009-10		FY 2010-11	
AUGUST	SEPT	OCT	NOV	DEC	JAN	FEB	MARCH	APRIL	MAY	JUNE	**Regional Centers**	**FTE**	**Annual Salary**	**FTE**	**Annual Salary**
6,084	6,084	6,084	6,084	6,084	6,084	6,084	6,084	6,084	6,084		Administration Assist III	(1.7)	(60,840)	(2.0)	(73,004)
0	0	0	0	0	0	0	0	0	4,168		Clin Therapist I	(0.1)	(4,168)	(1.0)	(50,016)
2,049	2,049	2,049	2,049	2,049	2,049	2,049	2,049	2,049	4,019		Dining Services III	(0.9)	(22,460)	(2.0)	(48,232)
0	0	0	0	0	0	0	0	3,619	3,619		HCS Trainee I	(0.3)	(7,238)	(2.0)	(43,430)
2,309	2,309	4,509	4,509	4,509	4,509	4,509	4,509	6,708	21,728		HCS Trainee II	(2.3)	(60,108)	(10.0)	(260,733)
5,340	8,598	8,598	8,598	8,598	8,598	8,598	8,598	16,646	68,616		Health Care Technician I	(4.4)	(150,788)	(24.0)	(823,398)
0	0	0	0	0	0	0	0	0	9,828		Health Care Technician III	(0.3)	(9,828)	(3.0)	(117,936)
6,815	6,815	6,815	6,815	6,815	6,815	6,815	6,815	6,815	11,082		Health Care Technician IV	(1.6)	(72,417)	(3.0)	(132,978)
4,564	4,564	4,564	4,564	4,564	4,564	4,564	4,564	4,564	4,564		Health Professional II	(0.8)	(45,640)	(1.0)	(54,768)
0	3,481	3,481	3,481	3,481	3,481	3,481	3,481	3,481	4,110		Health Professional III	(0.6)	(31,958)	(0.9)	(49,320)
0	0	0	3,055	3,055	3,055	3,055	3,055	3,055	3,055		Med Rec Tech I	(0.6)	(21,385)	(1.0)	(36,660)
0	0	0	0	0	0	0	0	0	2,744		Mid-Level Provider	0.0	(2,744)	(0.4)	(32,933)
2,217	2,217	2,217	2,217	2,217	2,217	2,217	2,217	2,217	19,508		Nurse II	(0.6)	(39,461)	(3.8)	(234,097)
0	0	0	0	0	0	0	0	0	8,663		Nurse III	(0.2)	(8,663)	(2.0)	(103,956)
0	0	0	0	0	0	0	0	0	7,732		Nurse VI	(0.1)	(7,732)	(1.0)	(92,786)
0	0	0	0	0	0	0	0	0	1,291		Pharm Tech II	0.0	(1,291)	(0.5)	(15,496)
0	0	0	0	0	0	0	0	0	5,000		Pharmacy II	(0.1)	(5,000)	(0.6)	(60,000)
3,707	3,707	3,707	3,707	3,707	3,707	3,707	3,707	3,707	3,707		Psychologist I	(0.5)	(37,070)	(0.7)	(44,480)
0	0	0	0	0	0	0	0	0	4,168		Soc Work/Couns III	(0.1)	(4,168)	(1.0)	(50,016)
2,553	2,553	2,553	2,553	2,553	2,553	2,553	2,553	2,553	2,553		Therapist II - OT	(0.5)	(25,530)	(0.6)	(30,641)
3,830	3,830	3,830	3,830	3,830	3,830	3,830	3,830	3,830	3,830		Therapist II - Speech	(0.7)	(38,300)	(0.9)	(45,961)
3,756	3,756	3,756	3,756	3,756	3,756	3,756	3,756	3,756	3,756		Therapy Assistant I	(0.8)	(37,560)	(1.0)	(45,070)
4,256	4,256	4,256	4,256	4,256	4,256	4,256	4,256	4,256	4,256		Therapy Assistant II	(0.8)	(42,560)	(1.0)	(51,068)
0	0	0	0	0	0	0	0	0	3,836		Therapy Asst II	(0.1)	(3,836)	(1.0)	(46,044)
47,480	54,219	56,419	59,474	59,474	59,474	59,474	59,474	73,340	211,917		Subtotal Salaries	(18.1)	(740,745)	(64.4)	(2,543,023)

New Adult Comprehensive Service Placements

Assumes average 2-month lag in billing so that May and June are paid in FY 2010-11

		FEB	MARCH	APRIL	MAY	JUNE	**FY 09-10**	**FY 10-11**
Community Placements		1	10	29	29	29.0	3.3	29.0
Days in Month		28	31	30				
Placement Days		28	310	870			1,208	10,585
Adult Comprehensive Services at	$347.27	$9,724	$107,654	$302,125	N.A.	N.A.	$419,502	$3,675,853
harmacy/Outpatient/Physician/Med Supplies at	$309.10	$309	$3,091	$8,964	$8,964	$8,964	$30,292	$107,568

New Nursing Home Placements

		FEB	MARCH	APRIL	MAY	JUNE	**FY 09-10**	**FY 10-11**
Nursing Placements		1	1	1	1	1	0.4	1.0
Days in Month		28	31	30	31	30		
Placement Days		28	31	30	31	30	150	365
Community Nursing Placements at	$176.70	$4,948	$5,478	$5,301	$5,478	$5,301	$26,505	$64,496

Appendix B - Closure of the Skilled Nursing Facility at the Grand Junction Regional Center
Summary of Department Request with Technical Changes by JBC Staff

	FY 2009-10		FY 2010-11	
	Rate	**Amount**	**Rate**	**Amount**
Regional Centers				
Regional Center Salaries from page 1	(18.1)	($740,745)	(64.4)	($2,543,023)
PERA	10.15%	(75,186)	10.15%	(258,117)
Medicare	1.45%	(10,741)	1.45%	(36,874)
PS Contracts		0	Actual	(75,000)
Overtime		0	5.0%	(145,000)
Subtotal Personal Services	(18.1)	($826,672)	(64.4)	($3,058,014)
Client room & board cash	$7,188.97	(23,793)	$7,188.97	(230,047)
Operating	bed days	($76,881)	Actual	($203,252)
Capital Outlay	bed days	($3,071)	Actual	($8,123)
Purchase of Services	bed days	($7,812)	Actual	($20,666)
Provider fee	5.0%	(59,746)	5.0%	(203,435)
Office of Operations				
Custodian I			(0.5)	(10,855)
Custodian II			(1.0)	(23,965)
Custodian II			(0.2)	(4,793)
Custodian III			(1.0)	(32,092)
Utility Plant Operator II			(1.0)	(52,240)
Subtotal Salaries	0.0	$0	(3.7)	($123,945)
PERA	10.15%	0	10.15%	(12,580)
Medicare	1.45%	0	1.45%	(1,797)
Subtotal Personal Services	0.0	$0	(3.7)	($138,322)
Executive Director's Office				
Health, Life, Dental	$666	(210,456)	$666	(370,829)
Short Term Disability	0.155%	(1,148)	0.155%	(4,134)
Amortization Equalization Disbursment (AED)	2.2%	(16,296)	2.2%	(58,673)
Supplemental AED	1.5%	(11,111)	1.5%	(40,005)
Shift Differential (funded at 80%)	7.0%	(41,481)	7.0%	(166,675)
Subtotal Benefits		($280,492)		($640,316)
TOTAL REDUCTIONS	**(18.1)**	**($1,278,467)**	**(68.1)**	**($4,502,175)**
General Fund		(567,591)		(1,932,629)
Client room & board cash		(23,793)		(230,047)
Provider Fee		(59,746)		(203,435)
Federal Funds		(627,337)		(2,136,064)
Community Services for People with DD				
Adult Compehensive Services	3.3	419,502	29.0	3,675,853
Client room & board cash	$7,188.97	23,793	$7,188.97	208,480
Health Care Policy, Premiums				
Community Nursing	0.4	26,505	1.0	64,496
Pharmacy, Outpatient, Physician, Med Supplies	$3.31	30,292	$29.00	107,568
TOTAL INCREASES	**0.0**	**500,092**	**0.0**	**4,056,397**
General Fund		238,149		1,923,958
Client room & board cash		23,793		208,480
Federal Funds		238,150		1,923,959
Net Savings from Closure of GJRC Facility	(18.1)	(778,375)	(68.1)	(445,778)
General Fund		(329,442)		(8,671)
Client Cash		0		(21,567)
Provider Fees		(59,746)		(203,435)
Federal Funds		(389,187)		(212,105)

Appendix B - Closure of the Skilled Nursing Facility at the Grand Junction Regional Center
Additional Reductions Recommended by JBC Staff

	Med-13		Proposed Reduction		
	FTE	**Salaries**	**Rate**	**FTE**	**Amount**
Regional Centers					
Administration (all GJRC)	3.8	$293,635	-18.7%	(0.7)	($54,910)
Training/Human Resources (all GJRC)	11.8	352,595	-18.7%	(2.2)	(65,935)
Health Svcs - Adm (all GJRC)	2.8	360,563	-10.0%	(0.3)	(36,056)
Health Svc Clerical+Medical Records (all GJRC)	6.5	268,109	-21.4%	(1.4)	(57,375)
Subtotal Salaries				(4.6)	($214,276)
PERA			10.15%		(21,749)
Medicare			1.45%		(3,107)
Subtotal Personal Services				(4.6)	($239,132)
Operating for staff			$500		(2,297)
Facility Maintenance (ICF/MR only)		$1,830,730	-10.0%		(183,073)
Subtotal Operating					($185,370)
Provider fee			5.0%		($21,791)
Executive Director's Office					
Health, Life, Dental			$666		(3,060)
Short Term Disability			0.155%		(332)
Amortization Equalization Disbursment (AED)			2.2%		(4,714)
Supplemental AED			1.5%		(3,214)
Subtotal Benefits					($11,320)
TOTAL ADDITIONAL REDUCTIONS				(4.6)	($457,613)
General Fund					(207,015)
Provider Fee					(21,791)
Federal Funds					(228,807)