

**COLORADO GENERAL ASSEMBLY  
JOINT BUDGET COMMITTEE**



**SUPPLEMENTAL REQUESTS FOR FY 2009-10**

**DEPARTMENT OF HUMAN SERVICES**

**(Services for People with Disabilities)**

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

**Prepared By:  
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January 22, 2010**

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**DEPARTMENT OF HUMAN SERVICES**  
**(Services for People with Disabilities)**  
**FY 2009-10 SUPPLEMENTAL RECOMMENDATIONS**  
**JBC WORKING DOCUMENT - SUBJECT TO CHANGE**

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**Prioritized Supplementals**

**Supplemental Request, Department Priority August #13  
Remove General Fund from State and Veterans Nursing Homes Consulting Services**

	Request	Recommendation
General Fund	(195,627)	(195,627)

<b>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?</b> [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	<b>YES</b>
JBC staff and the Department agree that this request is the result of <i>data that was not available when the original appropriation was made</i> regarding the statewide revenue outlook.	

**Department Request:** The Department proposes eliminating General Fund for contracted consulting services. 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 help the state-operated homes identify and correct problems in the provision of services to residents; increase the census, where appropriate, at each home; provide an independent and regular assessment of the performance of each home, based on selected key performance indicators; and, regularly report this performance data to the appropriate oversight entities.

**Staff Recommendation: Staff recommends approval of the request.** These consulting services are discretionary. While they may lead to improved quality and performance, there is no guarantee that the consulting recommendations will be of value, or that management will adopt the recommendations. There are no consequences associated with the consulting recommendations to enforce quality control or client protections. If the nursing homes find that periodic or on-going consulting services are a beneficial management tool, the nursing homes have the flexibility to purchase these services with the revenue generated from clients within the existing appropriation authority. Already the nursing homes pay \$304,373 of the total \$500,000 consulting contract. This supplemental would require the nursing homes to pick up the remainder of the costs, or reduce the use of consulting services.

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**Supplemental Request, Department Priority August #16  
Medicaid Waivers Provider Rate Retraction**

	Request	Recommendation
TOTAL	(5,888,663)	(6,299,774)
General Fund	0	(409,621)
Medicaid - RF	(5,888,663)	(5,890,153)
<i>Net GF</i>	(2,933,459)	(3,343,556)

<b>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?</b> [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	<b>YES</b>
JBC staff and the Department agree that this request is the result of <i>data that was not available when the original appropriation was made</i> regarding the statewide revenue outlook.	

**Department Request:** The Department requests a 2.5 percent reduction in reimbursement rates for providers of selected services to people with developmental disabilities, effective October 1, 2009. The following programs are impacted: Adult Comprehensive Services (residential); Adult Supported Living Services (non-residential); Children's Extensive Support (supplement to school-based services); and case management. Within each program the rates for some services may be reduced more or less than 2.5 percent to achieve the overall 2.5 percent rate reduction. The full-year impact of the change in rates is \$7,851,550 Medicaid funds and \$3,911,278 net General Fund. If the request is approved there will be a corresponding change to the appropriations for the Department of Health Care Policy and Financing.

**Staff Recommendation:** Staff recommends expanding the 2.5 percent rate reduction to apply to all line items and fund sources that traditionally receive community provider rate adjustments. The Department applied the reduction only to Medicaid funds, and to a more limited scope of line items.

Three line items that were part of the request have a combination of Medicaid and General Fund: Adult Comprehensive Services, Supported Living Services, and Case Management. For these line items both the Medicaid and General Fund experienced savings from the reduced rates beginning in October, and so staff believes both fund sources should be reduced.

Four line items that have traditionally received a community provider rate adjustment were not included in the request: Early Intervention Services, Family Support Services, Special Purpose, and

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Preventive Dental Hygiene. The Department did not make a compelling case for why these line items should be exempted from the provider rate reduction applied to the other line items. Staff believes that if the line items share in community provider rate increases, then they should share in decreases as well. Applying the reduction to all the provider line items treats providers more equitably.

However, staff did not calculate the savings retroactively to October for the line items that were not part of the original request. Staff believes it is reasonable for the Department to provide the same 30 days notice it provided before the other community provider rate reductions. Therefore, staff assumes the Department will reduce provider rates for these programs by 2.5 percent beginning March 1.

The exception to this rule is the Special Purpose line item. This line item is used for studies and to address transition services, for example when someone with developmental disabilities leaves the Department of Corrections and is awaiting a community placement. The money from the line item does not get spent in equal quantities throughout the year. Staff believes the Department could absorb a 2.5 percent reduction in funding for this year retroactive to the beginning of the fiscal year.

For Early Intervention Services the Department must provide services to all eligible applicants to comply with federal maintenance of effort requirements, but the rate paid for services can be adjusted. The Department plans to submit requests for adjustments in funding based on program participation levels in February.

The Department noted that not all rates are being reduced 2.5 percent within each program. Some are being reduced more and some less to arrive at a total 2.5 percent savings. The disparities in rates within a program are based on the Department's analysis of the reasonableness of the current reimbursement rates. While the staff recommendation seeks to improve equity in the distribution of rate reductions, it will not result in all providers being treated exactly the same in cases where the Department exercises its flexibility to adjust rates within a program.

One program the Department indicated it would protect from the 2.5 percent reduction is Preventive Dental Hygiene, because the Department believes the appropriation leads to significant in-kind donations of time and services by dental professionals. To recognize the Department's priority, staff recommends applying the Preventive Dental Hygiene program's share of the provider rate reduction to the Supported Living Services line item.

There should be no direct impact due to the rate reductions on the units of service a person with developmental disabilities can purchase. There may be indirect impacts on people with

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developmental disabilities if providers leave the market, or if the quality of services offered by providers suffers due to the reduced reimbursement rates.

The table below summarizes the staff recommendation:

Net General Fund Savings from Staff Recommended Provider Rate Reductions					
	Recommended Effective Date	FY 2009-10 Request	FY 2009-10 Staff Rec	Difference	FY 2010-11 Staff Rec
Adult Comprehensive Services	October 1	(2,266,431)	(2,297,377)	(30,946)	(3,063,169)
Adult Supported Living Services	October 1	(433,053)	(582,583)	(149,530)	(776,778)
Early Intervention Services	March 1	0	(92,486)	(92,486)	(277,458)
Family Support Services	March 1	0	(54,233)	(54,233)	(162,699)
Children's Extensive Support	October 1	(54,331)	(54,331)	0	(72,441)
Case Management	October 1	(179,645)	(252,545)	(72,900)	(336,726)
Special Purpose	July 1	0	(9,496)	(9,496)	(9,496)
Preventive Dental Hygiene	July 1 - applied to SLS line item	0	(505)	(505)	(1,516)
<b>TOTAL</b>		<b>(2,933,460)</b>	<b>(3,343,556)</b>	<b>(410,096)</b>	<b>(4,700,283)</b>

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**Supplemental Request, Department Priority August #17  
Closure of 32 Bed Nursing Facility at Grand Junction Regional Center**

	Request	Recommendation
Medicaid - RF	(2,820,486)	Pending
FTE	(57.0)	
<i>Net GF</i>	<i>(1,293,862)</i>	

<b>Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria?</b> [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]	<b>YES</b>
JBC staff and the Department agree that this request is the result of <i>data that was not available when the original appropriation was made</i> regarding the statewide revenue outlook.	

**Department Request:** The Department proposes closing a 32-bed skilled nursing facility at the Grand Junction Regional Center and moving the people currently served there to privately operated facilities in the community. The summary table shows the FY 2009-10 savings to the Department of Human Services. Not shown in the table is an offsetting increase in expenditures of \$898,343 (including \$417,280 General Fund) by the Department of Health Care Policy and Financing for the placements in nursing homes.

According to the Department, "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."

**Staff Recommendation: The final staff recommendation is pending additional information from the Department.** With all the planning done to date staff believes it would be difficult, and potentially harmful to the families impacted, to stop the closure of the facility at this date. The original request assumed people moving out of the Grand Junction Regional Center would be placed in community-based nursing facilities. It also assumed people would start moving out of the Grand Junction Regional Center starting in December. However, it has taken longer for the Department to move people out of the Grand Junction Regional Center than expected. One person has decided to move to a community-based nursing facility, 29 have decided to move to community-based facilities for people with developmental disabilities, and the Department has agreed to keep 2 people at the Grand Junction Regional Center receiving hospice care. The daily rate for community-based

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facilities for people with developmental disabilities is higher than the daily rate for community-based nursing facilities. Thus, the net savings from the closure of the skilled nursing facility at the Grand Junction Regional Center will be less than originally anticipated when the plan was proposed in August.

Using audited Medicaid reports the Department has identified operating costs that will be reduced with the closure of the skilled nursing facility at the Grand Junction Regional Center. The Department has developed a layoff plan with the specific positions and salaries that will be reduced. The needs assessments necessary to establish rates for the community placements are complete. With this information, the full-year impact of the closure can be estimated roughly as follows:

<b>Rough Estimate of Full-year Impact of Closing the Skilled Nursing Facility at the Grand Junction Regional Center Using the Current Placement Plan</b>					
	Total	General Fund	Reappropriated Funds	Federal Funds	FTE
<b><u>Department of Human Services</u></b>					
Regional Centers and associated costs	(6,045,224)	473,264	(6,518,488)	0	(92.0)
Adult Comprehensive Services	<u>3,675,853</u>	<u>0</u>	<u>3,675,853</u>	<u>0</u>	<u>0.0</u>
Subtotal Human Services	(2,369,371)	473,264	(2,842,635)	0	(92.0)
<b><u>Department of Health Care Policy and Financing</u></b>					
Medical Service Premiums (for nursing placements)	64,496	32,248	0	32,248	0.0
DHS - Medicaid Funded Programs; Community Services	3,675,853	1,837,926	0	1,837,926	0.0
DHS - Medicaid Funded Programs; Regional Centers and associated costs	<u>(6,518,488)</u>	<u>(3,259,244)</u>	<u>0</u>	<u>(3,259,244)</u>	<u>0.0</u>
Subtotal HCPF	(2,778,139)	(1,389,070)	0	(1,389,070)	0.0
<b>Net Impact</b>	(5,147,510)	(915,806)	(2,842,635)	(1,389,070)	(92.0)

Adjustments will need to be made to this rough estimate for the enhanced match allowed by provider facility fees paid by the Regional Centers, and the enhanced match allowed by ARRA. Also, the cost of continuing to serve 2 hospice care clients at the Regional Center is estimated at the current daily rate for the Regional Center and will need to be revised when the actual costs are known. This rough estimate does not include impacts on indirect cost recoveries. This new rough estimate of the

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General Fund savings, based on the current placement plans, is about 37 percent of the Department's estimate in August that closing the facility would save \$2.4 million net General Fund (before taking into account impacts on indirect cost recoveries).

While some data is available about the full year impact of the closure, the Department has not yet updated the estimated FY 2009-10 savings. Part of the delay is attributable to uncertainty about when people will move. The 29 who will move to community-based facilities for people with developmental disabilities will be placed in new homes that are in development. Also, the Department has not completed analysis of transition costs where some personal services and operating expenses may need to continue for a period of time after clients have moved in order to wrap up the closure of the facility. Termination payouts and staff leaving earlier than their layoff date to pursue other employment opportunities could also impact the savings.

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	FY 2008-09	FY 2009-10	Fiscal Year 2009-10 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation

**DEPARTMENT OF HUMAN SERVICES**  
**Executive Director - Karen Beye**

**Supplemental August #13 - Remove General Fund from State and Veterans Nursing Homes Consulting Services**

*(9) SERVICES FOR PEOPLE WITH DISABILITIES*

*(E) Homelake Domiciliary and State and Veterans Nursing Homes*

Nursing Home Consulting Services

General Fund	304,502	195,627	(195,627)	(195,627)	0
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**Supplemental August #16 - Medicaid Waivers Provider Rate Retraction**

*(9) SERVICES FOR PEOPLE WITH DISABILITIES*

*(A) Community Services for People with Developmental Disabilities*

*(2) Program Costs*

Adult Comprehensive Services	<u>248,063,888</u>	<u>273,785,089</u>	<u>(4,532,861)</u>	<u>(4,563,807)</u>	<u>269,221,282</u>
General Fund	693,077	1,650,459	0	(30,946)	1,619,513
CF - client cash	28,340,125	30,382,059	0	0	30,382,059
RF/CFE - Medicaid	219,030,686	241,752,571	(4,532,861)	(4,532,861)	237,219,710
Adult Supported Living Services	<u>53,934,755</u>	<u>54,167,273</u>	<u>(866,106)</u>	<u>(1,016,141)</u>	<u>53,151,132</u>
General Fund	7,543,037	7,974,941	0	(150,035)	7,824,906
RF/CFE - Medicaid	46,391,718	46,192,332	(866,106)	(866,106)	45,326,226
Early Intervention Services					
General Fund	11,062,198	11,098,328	0	(92,486)	11,005,842

	FY 2008-09	FY 2009-10	Fiscal Year 2009-10 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Family Support Services					
General Fund	2,629,871	6,507,966	0	(54,233)	6,453,733
Children's Extensive Support Services	<u>6,913,410</u>	<u>6,882,727</u>	<u>(129,051)</u>	<u>(129,591)</u>	<u>6,753,136</u>
RF/CFE - Medicaid	5,920,644	5,795,251	(108,661)	(108,661)	5,686,590
RF/CFE - Health Care Expansion Fund	992,766	1,087,476	(20,390)	(20,930)	1,066,546
Case Management and Quality Assurance	<u>18,114,887</u>	<u>23,122,398</u>	<u>(360,645)</u>	<u>(433,545)</u>	<u>22,688,853</u>
General Fund	3,021,894	3,888,010	0	(72,900)	3,815,110
RF/CFE - Medicaid	12,925,640	19,162,090	(359,289)	(359,289)	18,802,801
RF/CFE - Health Care Expansion Fund	2,167,353	72,298	(1,356)	(1,356)	70,942
Special Purpose	<u>536,025</u>	<u>890,158</u>	<u>0</u>	<u>(9,971)</u>	<u>880,187</u>
General Fund	503,523	360,844		(9,021)	351,823
RF/CFE - Medicaid	32,502	38,000		(950)	37,050
RF/CFE - Division of Voc. Rehab.	0	491,314		0	491,314
<b>Total for Supplemental August #16</b>	<u>341,255,034</u>	<u>376,453,939</u>	<u>(5,888,663)</u>	<u>(6,299,774)</u>	<u>369,662,851</u>
General Fund	25,453,600	31,480,548	0	(409,621)	31,070,927
CF - client cash	28,340,125	30,382,059	0	0	30,382,059
RF/CFE - Medicaid	284,301,190	312,940,244	(5,866,917)	(5,867,867)	307,072,377
RF/CFE - Health Care Expansion Fund	3,160,119	1,159,774	(21,746)	(22,286)	1,137,488
RF/CFE - Division of Voc. Rehab.	0	491,314	0	0	491,314
<i>Net GF</i>	<i>167,604,195</i>	<i>187,950,670</i>	<i>(2,933,459)</i>	<i>(3,343,555)</i>	<i>184,607,115</i>
<b>Totals Excluding Pending Items</b>					

	FY 2008-09	FY 2009-10	Fiscal Year 2009-10 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
Department of Human Services					
Totals for ALL Departmental line items	501,885,231	560,807,989	(6,084,290)	(6,085,780)	554,722,209
FTE	<u>1,827.4</u>	<u>1,963.4</u>	<u>0.0</u>	<u>0.0</u>	<u>1,963.4</u>
General Fund	33,033,813	38,833,081	(195,627)	(195,627)	38,637,454
Cash Funds	80,510,195	86,416,875	0	0	86,416,875
Reappropriated Funds	337,308,529	372,611,584	(5,888,663)	(5,890,153)	366,721,431
Federal Funds	51,032,694	62,946,449	0	0	62,946,449
<i>Net GF</i>	<i>198,469,854</i>	<i>221,793,851</i>	<i>(3,129,086)</i>	<i>(3,539,182)</i>	<i>218,254,669</i>

**Supplemental August #17 - Name of Supplemental**

*(9) Services for People with Disabilities*

<i>Various Lines</i>	N.A.	N.A.	(2,820,486)	Pending	N.A.
FTE			<u>(57.0)</u>		
RF/CFE - Medicaid			(2,587,726)		
RF/CFE - Medicaid matched with provider facility fee			(232,760)		
<i>Net GF</i>			<i>(1,293,863)</i>		

**Totals Including Pending Items**

Department of Human Services					
Totals for ALL Departmental line items	501,885,231	560,807,989	(8,904,776)	(6,085,780)	554,722,209
FTE	<u>1,827.4</u>	<u>1,963.4</u>	<u>(57.0)</u>	<u>0.0</u>	<u>1,963.4</u>
General Fund	33,033,813	38,833,081	(195,627)	(195,627)	38,637,454
Cash Funds	80,510,195	86,416,875	0	0	86,416,875
Reappropriated Funds	337,308,529	372,611,584	(8,709,149)	(5,890,153)	366,721,431
Federal Funds	51,032,694	62,946,449	0	0	62,946,449

	FY 2008-09	FY 2009-10	Fiscal Year 2009-10 Supplemental		
	Actual	Appropriation	Requested Change	Recommended Change	New Total with Recommendation
<i>Net GF</i>	198,469,854	221,793,851	(4,422,949)		221,793,851

Key:

N.A. = Not Applicable or Not Available