

**Schedule 13
Change Request for FY 08-09 Budget Request Cycle**

Request Title: **Mental Health Institute Revenue Adjustment** Decision Item FY 08-09 Base Reduction Item FY 08-09 Supplemental FY 07-08 Budget Request Amendment FY 08-09
 Department: **Human Services**
 Priority Number: **S-20** Dept. Approval by: *Raymond J. [Signature]* Date: *2/12/08*
 OSPB Approval: *[Signature]* Date: *2/19/08*

	Fund	1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual FY 06-07	Appropriation FY 07-08	Supplemental Request FY 07-08	Total Revised Request FY 07-08	Base Request FY 08-09	Decision/Base Reduction FY 08-09	November 1 Request FY 08-09	Budget Amendment FY 08-09	Total Revised Request FY 08-09	Change from Base (Column 5) FY 09-10
Total of All Line Items	Total	96,319,030	93,726,790	0	93,726,790	97,255,109	0	97,255,109	0	97,255,109	0
	FTE	1217.0	1303.9	0.0	1303.9	1303.9	0.0	1303.9	0.0	1303.9	0.0
	GF	74,364,608	72,774,413	813,107	73,587,520	76,292,220	0	76,292,220	310,305	76,602,525	310,305
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	3,445,060	4,844,403	(677,261)	4,167,142	4,844,403	0	4,844,403	(677,261)	4,167,142	(677,261)
	CFE	18,166,695	16,107,974	(135,846)	15,972,128	16,118,486	0	16,118,486	366,956	16,485,442	366,956
	FF	342,667	0	0	0	0	0	0	0	0	0
	MCF	4,708,030	3,344,403	360,335	3,704,738	3,344,403	0	3,344,403	360,335	3,704,738	360,335
	MGF	2,354,015	1,672,202	180,168	1,852,370	1,672,202	0	1,672,202	180,168	1,852,370	180,168
	NGF	76,718,623	74,446,615	993,275	75,439,890	77,964,422	0	77,964,422	490,473	78,454,895	490,473
(8) Mental Health & Alcohol & Drug Abuse (C) Mental Health Institutes	Total	91,878,963	89,656,698	0	89,656,698	93,054,597	0	93,054,597	0	93,054,597	0
	FTE	1169.9	1252.9	0.0	1252.9	1252.9	0.0	1252.9	0.0	1252.9	0.0
	GF	70,740,254	69,468,922	813,107	70,282,029	72,856,309	0	72,856,309	310,305	73,166,614	310,305
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	3,272,535	4,580,363	(677,261)	3,903,102	4,580,363	0	4,580,363	(677,261)	3,903,102	(677,261)
	CFE	17,866,174	15,607,413	(135,846)	15,471,567	15,617,925	0	15,617,925	366,956	15,984,881	366,956
	FF	0	0	0	0	0	0	0	0	0	0
	MCF	4,708,030	3,344,403	360,335	3,704,738	3,344,403	0	3,344,403	360,335	3,704,738	360,335
	MGF	2,354,015	1,672,202	180,168	1,852,370	1,672,202	0	1,672,202	180,168	1,852,370	180,168
	NGF	73,094,269	71,141,124	993,275	72,134,399	74,528,511	0	74,528,511	490,473	75,018,984	490,473

Schedule 13
Change Request for FY 08-09 Budget Request Cycle

Decision Item FY 08-09 Base Reduction Item FY 08-09 Supplemental FY 07-08 Budget Request Amendment FY 08-09

Request Title: **Mental Health Institute Revenue Adjustment**

Department: **Human Services**

Dept. Approval by:

Date:

Priority Number: **S-20**

OSPB Approval:

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	Fund	1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual FY 06-07	Appropriation FY 07-08	Supplemental Request FY 07-08	Total Revised Request FY 07-08	Base Request FY 08-09	Decision/Base Reduction FY 08-09	November 1 Request FY 08-09	Budget Amendment FY 08-09	Total Revised Request FY 08-09	Change from Base (Column 5) FY 09-10
(8) Mental Health & Alcohol & Drug Abuse	Total	3,475,059	3,379,847	0	3,379,847	3,484,623	0	3,484,623	0	3,484,623	0
(C) Mental Health Institutes	FTE	34.3	36.0	0.0	36.0	36.0	0.0	36.0	0.0	36.0	0.0
General Hospital	GF	3,475,059	3,204,527	0	3,204,527	3,309,303	0	3,309,303	0	3,309,303	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	0	175,320	0	175,320	175,320	0	175,320	0	175,320	0
	FF	0	0	0	0	0	0	0	0	0	0
	MCF	0	0	0	0	0	0	0	0	0	0
	MGF	0	0	0	0	0	0	0	0	0	0
	NGF	3,475,059	3,204,527	0	3,204,527	3,309,303	0	3,309,303	0	3,309,303	0
(8) Mental Health & Alcohol & Drug Abuse Services	Total	965,008	690,245	0	690,245	715,889	0	715,889	0	715,889	0
(C) Mental Health Institutes	FTE	12.8	15.0	0.0	15.0	15.0	0.0	15.0	0.0	15.0	0.0
Educational Programs	GF	149,295	100,964	0	100,964	126,608	0	126,608	0	126,608	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	172,525	264,040	0	264,040	264,040	0	264,040	0	264,040	0
	CFE	300,521	325,241	0	325,241	325,241	0	325,241	0	325,241	0
	FF	342,667	0	0	0	0	0	0	0	0	0
	MCF	0	0	0	0	0	0	0	0	0	0
	MGF	0	0	0	0	0	0	0	0	0	0
	NGF	149,295	100,964	0	100,964	126,608	0	126,608	0	126,608	0

Letternote revised text: See Pages S-20-11 and S-20-12

Cash Fund name/number, Federal Fund Grant name: Fund 100

IT Request: Yes No

Request Affects Other Departments: Yes No If Yes, List Other Departments Here: Corrections, Health Care Policy & Financing

CHANGE REQUEST for FY 2007-08 BUDGET REQUEST CYCLE

Department:	Department of Human Services
Priority Number:	S-20
Change Request Title:	Mental Health Institutes Revenue Adjustment

SELECT ONE (click on box):

- Decision Item FY 08-09
- Base Reduction Item FY 08-09
- Supplemental Request FY 07-08
- Budget Request Amendment FY 08-09

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- Not a Supplemental or Budget Request Amendment
- An emergency
- A technical error which has a substantial effect on the operation of the program
- New data resulting in substantial changes in funding needs
- Unforeseen contingency such as a significant workload change

Short Summary of Request:

This supplemental and budget amendment is submitted every year as a late supplemental to adjust the estimated revenue that will be available to the Mental Health Institutes (Institutes) based on the current patient mix and any changes to Medicaid and Medicare reimbursement for services received by Institute patients. The current estimates for Mental Health Institute revenue, reflected in the letter notes for the total appropriation in the FY 2007-08 Long Bill, are based on estimates prepared a year ago in February 2007. These estimates are no longer current and are updated in this supplemental based on FY 2007-08 actual year-to-date revenue through December 2007. This supplemental is submitted under the criterion of “New data resulting in a substantial change in funding need.” The ‘new data’ are the estimated changes in all revenue sources, based on projections of year-to-date actual revenue received projected through the end of the fiscal year. This annual supplemental results in a net zero change to the total appropriation, but requests \$993,275 net General Fund in FY 2007-08, annualized to \$490,473 net General Fund in FY 2008-09 due to significant declines in Medicare revenue.

Background and Appropriation History:

The Institutes receive revenue from various sources to pay for the cost of care to patients, including patient payments typically cash from disability benefits, Medicare, Medicaid, third party

insurers (e.g. Kaiser), counties, school districts and other state Departments (e.g. Department of Corrections, Department of Education). Each year, the Department projects the revenue that will be received from all of these sources based on the amount of revenue that has been received year-to-date in the current fiscal year. These revenues are applied to the total Institute spending authority. The difference between the total Institute spending authority (\$93.7 million in FY 2007-08) minus the estimated total revenue from all sources equals the amount of General Fund the Institutes will need to continue their operations.

In addition, the Institutes transfer a portion of their revenue to other offices in the Department that provide support functions for Institute operations, such as facilities management, accounting, and information technology, etc.

The following table provides a summary of the total funding to operate the Colorado Mental Health Institutes at Fort Logan and Pueblo since FY 2002-03.

	Long Bill + Supplemental Approp FY 2002-03	Long Bill + Supplemental Approp FY 2003-04	Long Bill + Supplemental Approp FY 2004-05	Long Bill + Supplemental Approp FY 2005-06	Long Bill + Supplemental Approp FY 2006-07	Long Bill Approp FY 2007-08	Supp Request FY 2007-08	FY 2007-08 Difference Approp-Supp	Amended Request FY 2008-09	Nov 1 Budget Request FY 2008-09	FY 2008-09 Difference Amended-Nov 1
General Fund	59,304,335	60,862,274	62,302,901	63,517,856	66,659,845	72,774,413	73,587,520	813,107	78,281,454*	77,971,149	310,305
Cash Funds	2,247,664	2,181,358	1,409,889	3,388,964	4,844,403	4,844,403	4,167,142	(677,261)	4,167,142	4,844,403	(677,261)
Cash Funds Exempt	<u>22,078,840</u>	<u>17,321,249</u>	<u>19,603,975</u>	<u>17,221,095</u>	<u>17,690,106</u>	<u>16,107,974</u>	<u>15,972,128</u>	<u>(135,846)</u>	<u>16,485,442</u>	<u>16,118,486</u>	<u>366,956</u>
Total	83,630,839	80,364,881	83,316,765	84,127,915	89,194,354	93,726,790	93,726,790	0	98,934,038	98,934,038	0
Medicaid Cash Funds	3,525,225	3,325,830	4,522,820	4,946,108	5,461,954	3,344,403	3,704,738	360,335	3,704,738	3,344,403	360,335
Medicaid General Fund	1,762,613	1,662,915	2,261,410	2,473,054	2,730,977	1,672,202	1,852,369	180,168	1,852,369	1,672,202	180,168
Net General Fund	61,066,948	62,525,189	64,564,311	65,990,910	69,390,822	74,446,615	75,439,889	993,275	80,133,823	79,643,351	490,473
GF Percent of Total	70.9%	75.7%	74.8%	75.5%	74.7%	77.6%	78.5%	0.9%	79.1%		
Net General Fund Percent of Total	73.0%	77.8%	77.5%	78.4%	77.8%	79.4%	80.5%	1.1%	81.0%		

* Includes FY 2008-09 Decision Items

STATE OF COLORADO FY 08-09 BUDGET REQUEST CYCLE: Colorado Department of Human Services

	Long Bill + Supplemental Approp FY 2002-03	Long Bill + Supplemental Approp FY 2003-04	Long Bill + Supplemental Approp FY 2004-05	Long Bill + Supplemental Approp FY 2005-06	Long Bill + Supplemental Approp FY 2006-07	Long Bill Approp FY 2007-08	Supp Request FY 2007-08	FY 2007-08 Difference Approp-Supp	Amended Request FY 2008-09	Nov 1 Budget Request FY 2008-09	FY 2008-09 Difference Amended-Nov 1
Percent Change Total Funds Prior Year	N/A	-3.9%	3.7%	1.0%	6.0%	5.1%	5.1%	0.0%	5.6%		
Percent Change NGF Prior Year	N/A	2.4%	3.3%	2.2%	5.2%	7.3%	8.7%	1.4%	6.2%		
Percent Change NGF FY 2002-03	N/A	2.4%	5.7%	8.1%	13.6%	21.9%	23.5%	1.6%	31.2%		
Avg. Percent Change FY 2002-03	N/A	2.4%	2.9%	2.7%	3.4%	4.4%	4.7%	0.3%	5.2%		
Percent Change Total Funds Prior Year	N/A	-3.9%	3.7%	1.0%	6.0%	5.1%	5.1%	0.0%	5.6%		
Percent Change Total Funds FY 2002-03	N/A	-3.9%	-0.4%	0.6%	6.7%	12.1%	12.1%	0.0%	18.3%		
Number of Inpatient Beds	686	631	611	611	621	631	631	-	631		
Appropriation Per Bed	121,893	127,361	136,361	137,689	143,630	148,537	148,537	-	156,789		
GF Appropriation Per Bed	86,437	96,454	101,969	103,957	107,343	115,332	116,620	1,289	124,059		
NGF Appropriation Per Bed	89,006	99,089	105,670	108,005	111,740	117,982	119,556	1,574	126,995		
Percent Change - Approp Per Bed	N/A	4.5%	7.1%	1.0%	4.3%	3.4%	3.4%	0.0%	5.6%		
Percent Change - GF Approp Per Bed	N/A	11.6%	5.7%	2.0%	3.3%	7.4%	8.6%	1.2%	6.4%		
Percent Change - NGF Approp Per Bed	N/A	11.3%	6.6%	2.2%	3.5%	5.6%	7.0%	1.4%	6.2%		

General Description of Request:

The requested revenue adjustments are based on the projected Cash Funds and Cash Funds Exempt revenues to be earned in FY 2007-08 and FY 2008-09 based on actual revenue earned through December 2007.

Cash Funds: The estimated total (\$677,261) decrease in Cash Fund revenue in FY 2007-08 and FY 2008-09 is detailed in Schedule C and reflects the following projected changes:

- An estimated (\$820,813) decrease in patient fees, revenue from commercial insurance (e.g. Blue Cross, Kaiser, PacifiCare) and payments from courts;
- An estimated (\$26,404) decrease in education revenue from school districts due to fewer billable school days for students treated in the Therapeutic Residential Child Care Facility (Mountain Star); and,
- An estimated \$169,956 increase in revenue from County Departments of Social Services for room/board charges for children in the custody of the county (i.e. kids in the child welfare system) receiving treatment in the Therapeutic Residential Child Care Facility (Mountain Star) at Fort Logan.

Cash Funds Exempt: The requested total (\$135,846) decrease in Cash Fund Exempt revenue for FY 2007-08 is bulleted below and detailed in Schedule C. The total \$366,956 increase requested in FY 2008-09 is detailed in Schedule F.

Medicaid Earnings:

- An estimated \$360,335 increase in Medicaid Fee For Service revenue received from the Department of Health Care Policy and Finance for Division of Youth Correction and Forensic clients treated in the psychiatric hospitals;
- An estimated (\$25,312) decrease in Medicaid capitation revenue received from the Behavioral Health Organizations;
- An estimated \$99,984 increase in Medicaid revenue for clients over age 65 receiving medical treatment in the General Hospital; and,
- An estimated \$30,970 increase in Therapeutic Residential Child Care Facility Medicaid revenue from the Department of Health Care Policy & Finance for ancillary medical services.

Changes to Medicare Revenue:

- An estimated \$331,644 increase in revenue received based on payments made for specific diagnoses.

Explanation of the recent change in Medicare Reimbursement

In FY 2005-06, the Centers for Medicare and Medicaid (CMS) changed their reimbursement methodology for Medicare from paying the Institutes a daily rate (i.e. per diem) to payment based on the patient's diagnosis (i.e. Diagnosis Related Group (DRG)). This new methodology is called the Inpatient Psychiatric Prospective Payment System or PPS. Prospective Payment System reimbursement is affected by the patient's diagnosis, the existence of co-morbidities (i.e. multiple illnesses), the patient's age, whether the patient is male or female, etc. Because these factors are different for every claim, every claim is now paid at a different diagnosis rate.

- An estimated (\$1,574,888) decrease in the revenue received as part of the Medicare Cost Report Settlements. The Institutes' letters include an estimated \$900,000 to be received in FY 2007-08 associated with Medicare Cost Report Settlements. This amount is based on an estimated minimum amount the Institutes were expected to receive each year.

Explanation of the Medicare Cost Report Settlement

The PPS reimbursement methodology has had a major impact on the MHI's Medicare revenue since it is a completely different reimbursement system from the historical per diem method. Under the per diem methodology, the Institutes were paid a daily rate and then at the end of the year, the Department submitted a Medicare Cost Report to CMS. CMS then compared the Department's cost report to the amount the Institutes had been paid through the per diem. If the Department had been paid more in per diem than the cost report assessed as actual cost, the Department was required to pay the difference back to CMS. If the Department's cost report showed more allowable costs than what it had been paid by Medicare through the per diem, then Medicare would pay additional funds to the Institutes in the amount of the difference. This reconciliation is referred to as the 'Medicare Cost Report Settlement.' Several years ago the General Assembly added an annual \$900,000 Medicare cost report settlement revenue requirement based on historical

cost report settlement amounts that is currently incorporated in the Institute appropriation Medicare letternotes.

Based on the change in payment methodology from per diem payments to diagnosis-based payments, CMS devised a plan to implement PPS over a four-year period as outlined in the following chart:

Phase-In of Medicare PPS Reimbursement

		DRG Reimbursement	Cost Report Reimbursement
Year 1	FY 2005-06	25%	75%
Year 2	FY 2006-07	50%	50%
Year 3	FY 2007-08	75%	25%
Year 4	FY 2008-09	100%	0%

Once PPS is fully phased in next year, the up front diagnosis claim payment will be the full and final payment except for outliers (i.e. very high cost, extraordinary cases), essentially eliminating cost report settlements for FY 2008-09. Therefore, this request includes the removal of the \$900,000 revenue requirement associated with Medicare cost report settlements in FY 2008-09.

Because of the aforementioned factors, Medicare revenue has been difficult to project in recent years because the reimbursement methodologies are new and there is no relevant historical data. When projecting FY 2007-08 Medicare revenue for last year's supplemental, the MHI's anticipated sufficient cost report settlements to meet the \$900,000 cost report revenue requirement. This estimate was based on actual cost reports submitted for FY 2005-06 in which the Department estimated that the Institutes would receive \$1,232,040 in cost report settlements.

Within the past 60 days, the Department learned of two changes in the Department's assumptions that have gravely reduced the anticipated Medicare revenue. The first change

was associated with the allowable increase in a rate used in the cost report calculation. CMS calculates this rate for every hospital receiving Medicare funds in the country. The Institutes have been notified by CMS that the original rate provided was incorrect and the revised rate is substantially lower than anticipated. The revised rate resulted in a \$725,438 shortfall (Schedule C) in the estimated reimbursement associated with the Medicare cost report settlement.

The second recent change occurred when the FY 2006-07 cost report was completed and the Institutes learned they had to pay back approximately \$849,450 (Schedule C). This was due to excess payments that were received for ancillary claims (i.e. lab, x-ray, physical therapy) above the allowable costs as calculated on the cost reports. Thus, instead of receiving additional payments from CMS, the Institutes are estimating a pay back of \$849,450, causing a revenue shortfall of \$1,574,888 (\$849,450 + \$725,438).

Under PPS, Medicare revenue will be received on a timelier basis as claims are paid throughout the year. As a result, the revenue uncertainty associated with year-end cost report settlements will be greatly reduced.

Other CFE Revenue Sources:

- A \$23,218 increase in revenue from the Colorado Department of Education (Per Pupil Operating Revenue) for students in both the Therapeutic Residential Child Care Facility (Mountain Star) and the schools for the inpatient child and adolescent units;
- A (\$71,033) decrease in Therapeutic Residential Child Care Facility revenue from the Division of Youth Corrections for room/board for children in their custody due to decreased utilization of these services;
- An estimated \$435,332 increase in General Hospital revenue from the Department of Corrections (DOC) for inpatient/outpatient medical services to inmates associated with the DOC supplemental submitted in January 2008. The DOC Budget Amendment for FY 2008-09 associated with their supplemental reflects an increase of only \$273,758 or a

decrease in anticipated revenue from DOC of \$161,574 from the FY 2007-08 estimate (\$435,332-\$273,758). This adjustment for FY 2008-09 has been incorporated into the Institute budget amendment for FY 2008-09.

- An estimated \$253,904 increase in revenue from Department of Corrections for providing meals to San Carlos, La Vista and Youth Offender System facilities

Consequences if Not Funded:

If not funded, the Mental Health Institutes are facing a projected revenue shortfall of \$813,107 (\$677,261 CF + \$135,846 CFE) in FY 2007-08. In total, the Institutes would be under funded by \$813,107 General Fund or \$993,275 Net General Fund. This would severely restrict the Institutes' ability to provide adequate psychiatric services to patients. The Institutes are required to maintain adequate staff-to-patient ratios by a number of regulatory bodies, including CMS, the Colorado Department of Public Health and Environment, and the Joint Commission on the Accreditation of Healthcare Organizations (JCAHO). Failure to fund this request could potentially result in loss of CMS certification to bill for Medicare and Medicaid and loss of JCAHO accreditation.

Calculations for Request:

Details of the calculations are provided in the attached schedules for this request.

Summary of Request FY 07-08	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	Medicaid Cash Funds	Medicaid General Funds	Net General Fund
Total Request	\$0	\$813,107	(\$677,261)	(\$135,846)	\$0	\$360,335	\$180,168	\$993,275
Adjust Revenue Requirements to Projections (excluding Medicare cost report settlements)	\$0	(\$761,781)	(\$677,261)	\$1,439,042	\$0	\$360,335	\$180,168	(\$581,613)
Medicare cost report settlements	\$0	\$1,574,888	\$0	(\$1,574,888)	\$0	\$0	\$0	\$1,574,888
Summary of Request FY 08-09	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	Medicaid Cash Funds	Medicaid General Funds	Net General Fund

STATE OF COLORADO FY 08-09 BUDGET REQUEST CYCLE: Colorado Department of Human Services

Total Request	\$0	\$310,305	(\$677,261)	\$366,956	\$0	\$360,335	\$180,168	\$490,473
Adjust revenue requirements based on FY 2007-08 updated projections	\$0	\$310,305	(\$677,261)	\$366,956	\$0	\$360,335	\$180,168	\$490,473

The following are the recommended MHI Letter Notes for the FY 2007-08 Revenue Supplemental Request:

a Of this amount, ~~\$3,892,386~~ \$3,071,573 shall be from patient revenues, ~~\$743,259~~ \$913,215 shall be from counties, and ~~\$208,758~~ \$182,354 shall be from school districts.

b Of this amount, ~~\$12,277,695~~ \$11,429,395 shall be from patient revenues, ~~\$2,957,104~~ \$3,646,340(T) shall be transferred from the Department of Corrections including \$400,493 for the La Vista Facility, \$548,765(T) shall be transferred from the Division of Youth Corrections for services to the Sol Vista Facility, ~~\$312,410~~ \$335,628(T) shall be transferred from the Department of Education, and \$12,000(T) shall be transferred from Regional Centers. For informational purposes only, of the patient revenues, ~~\$6,574,448~~ \$5,431,188 is estimated to be from Medicare and other sources of patient revenues, ~~\$3,344,403~~ \$3,704,738(T) is estimated to be from Medicaid funds transferred from the Department of Health Care Policy and Financing, ~~\$1,811,990~~ \$1,786,678(T) is estimated to be Medicaid revenue earned from behavioral health organizations through Mental Health Community Capitation, ~~\$312,347~~ \$241,314(T) is estimated to be transferred from the Division of Youth Corrections for services provided by the therapeutic residential child care facility at the Colorado Mental Health Institute at Fort Logan and ~~\$234,507~~ \$265,477(T) is estimated to be transferred from Medicaid funding from the Department of Health Care Policy and Financing to Child Welfare Services for mental health treatment at the therapeutic residential child care facility at the Colorado Mental Health Institute at Fort Logan.

The following are the recommended MHI Letter Notes for the FY 2008-09 Budget Request Amendment:

a Of this amount, ~~\$3,892,386~~ \$3,071,573 shall be from patient revenues, ~~\$743,259~~ \$913,215 shall be from counties, and ~~\$208,758~~ \$182,354 shall be from school districts.

b Of this amount, ~~\$12,277,695~~ \$12,104,283 shall be from patient revenues, ~~\$2,957,104~~ \$3,484,766(T) shall be transferred from the Department of Corrections including \$400,493 for the La Vista Facility, \$548,765(T) shall be transferred from the Division of Youth Corrections for services to the Sol Vista Facility, ~~\$312,410~~ \$335,628(T) shall be transferred from the Department of Education, and \$12,000(T) shall be transferred from Regional Centers. For informational purposes only, of the patient revenues, ~~\$6,574,448~~ \$6,106,076 is estimated to be from Medicare and other sources of patient revenues, ~~\$3,344,403~~ \$3,704,738(T) is estimated to be from Medicaid funds

transferred from the Department of Health Care Policy and Financing, ~~\$1,811,990~~ \$1,786,678(T) is estimated to be Medicaid revenue earned from behavioral health organizations through Mental Health Community Capitation, ~~\$312,347~~ \$241,314(T) is estimated to be transferred from the Division of Youth Corrections for services provided by the therapeutic residential child care facility at the Colorado Mental Health Institute at Fort Logan and ~~\$234,507~~ \$265,477(T) is estimated to be transferred from Medicaid funding from the Department of Health Care Policy and Financing to Child Welfare Services for mental health treatment at the therapeutic residential child care facility at the Colorado Mental Health Institute at Fort Logan.

Assumptions for Calculations:

Most projections are based on year-to-date actual receipts from each revenue source. Medicaid revenue projections are adjusted for S.B. 03-196, which converted all Medicaid financing from an accrual basis of accounting to a cash basis of accounting. Projections also include adjustments based on specific information received from a particular revenue source, such as the adjustment to the estimated Medicare revenue based on known rate adjustments and overpayments. Detail is provided in attached Excel spreadsheets, including a reconciliation of the changes from FY 2007-08 to FY 2008-09 (Schedule F).

Impact on Other Government Agencies:

As noted in the previous section, Calculations for Request, there will be an impact to the Health Care Policy and Financing line item for Mental Health Institutes related to the change in Fee-for-Service projected Medicaid revenue. The Department of Corrections is also impacted per the adjustments outlined in the DOC supplemental reflecting changes in utilization and costs at the General Hospital at the Colorado Mental Health Institute at Pueblo.

Cost Benefit Analysis:

The cost benefit analysis is not applicable as this is a reoccurring annual supplemental to adjust revenue projections based on current sources of patient revenue. The impact of not funding this request is outlined in the section of this request titled "Consequences if Not Funded."

Implementation Schedule:

Not applicable.

Statutory and Federal Authority:

27-12-101. Liability.

(1) When any person is admitted, committed, or transferred to any public institution of this state supervised by the department of human services for the care, support, maintenance, education, or treatment of persons with mental illness, the person, his or her spouse, and his or her

parents shall be liable for the costs of his or her care, support, maintenance, and treatment to the extent and in the manner provided in this article. No other relatives of the person shall be liable to any extent for such costs.

(2) The provisions of this article shall apply also to those persons received under the provisions of article 8 of title 16 and sections 16-13-216, 19-2-922, and 19-2-923, C.R.S., but not by way of exclusion.

27-12-102. Cost determination.

(1) The department of human services shall periodically determine the individual cost for the care, support, maintenance, treatment, and education of the patients of each of such institutions. In making such determination, it is proper for the department to use averaging methods to the extent that it is not practicable, in the judgment of the executive director of the department of human services, to compute the actual cost for each patient.

(2) With respect to any resident patient who is under the age of twenty-one years, there shall be deducted from the cost so determined an amount equal to the average per capita cost for the education of children with disabilities pursuant to article 20 of title 22, C.R.S.

27-12-103. Extent of liability.

(1) There shall be assessed against the said patient, spouse, or parents made liable by section 27-12-101, or any of them, all or such part of the cost as they are respectively able to pay, but there shall not be assessed against such persons in the aggregate more than the whole of such cost.

(2) The liability of each parent shall cease when such parent has completed payments as assessed in this article for one hundred eighty months subsequent to May 1, 1964, or upon the patient's eighteenth birthday, whichever event first occurs.

27-12-104. Determination of ability to pay.

(1) All insurance and other benefits payable for the care, support, maintenance, and treatment of a patient shall be considered available for payment of the cost determined under section 27-12-102.

(2) The department of human services shall determine the ability of a patient and his spouse to pay the balance of such cost by consideration of the following factors: Income reportable under Colorado law; the age of the patient and spouse; the number of dependents, their ages, and their mental and physical condition; provision for retirement years; the length of the patient's care or treatment; liabilities; and

assets. Such determination shall be made according to schedules contained in published rules, adopted in accordance with the provisions of article 4 of title 24, C.R.S.

(3) If it is determined that the patient and his spouse are unable to pay the entire cost determined under section 27-12-102 and the length of the patient's care and treatment at a state institution is reasonably anticipated to be less than six months, the department of human services shall determine the parent's ability to pay by consideration of the same factors referred to in subsection (2) of this section, applying each such factor to the parent.

(4) If it is determined that the patient and his spouse are unable to pay the entire cost determined under section 27-12-102 and the length of the patient's care and treatment at a state institution is reasonably anticipated to exceed six months, the department of human services shall determine the parent's ability to pay by reference to such parent's net taxable income reportable under Colorado law and to the patient's length of care or treatment. At the request of the parent, the department shall also consider other factors relevant to the interest of avoiding undue hardship to the family unit. Such other factors may include the parent's age, provision for retirement years, assets, liabilities, and the number of dependents, their mental and physical condition, and their educational requirements. Such determination shall be made according to schedules contained in published rules adopted in accordance with the provisions of article 4 of title 24, C.R.S.

(5) Should any parent not file a Colorado income tax return, such parent's net Colorado taxable income equivalent shall be determined by reference to his United States income tax return as though all the income disclosed by such return had been derived from sources within Colorado, and said table of rates shall be applied to such net taxable income equivalent.

(6) Upon the willful failure of any patient, spouse, or parent to furnish to the department of human services, upon request, copies of his income tax returns, such person shall be deemed to have ability to pay the entire cost determined under this article.

(7) Every agency and department of the state is required to render all reasonable assistance to the executive director of the department of human services in obtaining all information necessary for proper implementation of the purposes of this article. Nothing in this subsection (7) shall be construed to require the department of revenue to produce a copy of any person's income tax return solely upon the request of the department of human services, but the department of revenue shall deliver a copy of any such return upon the request of the taxpayer or his duly authorized representative, pursuant to section 39-21-113 (4), C.R.S.

27-12-106. Appeal.

Appeals from the determination of the ability of a patient or relative to pay, as provided in this article, may be taken to any court of record in Colorado having jurisdiction of the patient or his spouse or parents liable for such payment; but no such appeal may be taken until the executive director of the department of human services has ruled upon a written request for a review of such determination. Such request shall

be made within sixty days after receipt of notification of the said determination, and the applicant shall be notified of the decision of the said executive director within forty-five days after the receipt of the said applicant's request for review.

27-12-107. Service.

Service of any notification, information, or request for information, review, or redetermination, accomplished by certified mail, return receipt requested, or in any manner provided by the Colorado rules of civil procedure, shall be sufficient for all purposes of this article.

27-12-108. Certificate - prima facie evidence.

In any action or proceeding to enforce the claims of the state provided for in this article, a certificate by the chief administrative officer of the institution involved or the executive director of the department of human services as to any fact or matter necessary to the establishment of said claim which is a matter of record in the institution or in the department of human services shall constitute prima facie evidence thereof.

27-12-109. Further actions.

(1) Any patient, spouse, or parent liable by this article who fails to pay the amounts assessed pursuant to this article shall be proceeded against in any manner authorized by law for the collection of sums due and owing to the state of Colorado.

(2) All property of said persons shall be subject to application to said claims irrespective of its origin, composition, or source subject to the exemptions set forth in section 13-54-102, C.R.S.

(3) Claims against responsible relatives in other states may be enforced as claims for support under the provisions of the "Uniform Interstate Family Support Act", article 5 of title 14, C.R.S.

(4) In the absence of fraud, said patient, spouse, and parents shall be liable only to the extent of assessments actually made against them respectively in accordance with this article.

Performance Measures:

Demonstrate the responsible use of public dollars within the human services system across Colorado (S.O. #1)

Maximize the efficient use of state resources (S.O. #2).