

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

Request Title: Decision Item FY 08-09 Base Reduction Item FY 08-09 Supplemental FY 07-08 Budget Request Amendment FY 08-09
 Department: Division for Developmental Disabilities Medicaid Appropriation Reduction.
 Priority Number: S-4B Dept. Approval by: *Reynolds* Date: 2/15/08
 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 | 0 | 52,858,984 | (1,788,624) | 51,070,360 | 53,075,696 | 259,546 | 53,335,242 | 0 | 53,335,242 | 0 |
| | FTE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0 |
| | GF | 0 | 7,857,085 | 1,000,000 | 8,857,085 | 7,857,085 | 0 | 7,857,085 | 0 | 7,857,085 | 0.0 |
| | GFE | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | CF | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | CFE | 0 | 45,001,899 | (2,788,624) | 42,213,275 | 45,218,611 | 259,546 | 45,478,157 | 0 | 45,478,157 | 0 |
| | FF | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | MCF | 0 | 42,347,862 | (2,788,624) | 39,559,238 | 42,553,738 | 246,569 | 42,800,307 | 0 | 42,800,307 | 0 |
| | MGF | 0 | 21,173,930 | (1,394,312) | 19,779,618 | 21,276,868 | 123,285 | 21,400,153 | 0 | 21,400,153 | 0 |
| | NGF | 0 | 29,031,015 | (394,312) | 28,636,703 | 29,133,953 | 123,285 | 29,257,238 | 0 | 29,257,238 | 0 |
| ((9) Services for People with Disabilities (A) Developmental Disability Services (1) Community Services - (b) Program Costs - Adult Supported Living Services for 692 General Fund and 2,892 Medicaid resources | Total | 0 | 52,858,984 | (2,788,624) | 50,070,360 | 53,075,696 | 259,546 | 53,335,242 | 0 | 53,335,242 | 0 |
| | GF | 0 | 7,857,085 | 0 | 7,857,085 | 7,857,085 | 0 | 7,857,085 | 0 | 7,857,085 | 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 | 45,001,899 | (2,788,624) | 42,213,275 | 45,218,611 | 259,546 | 45,478,157 | 0 | 45,478,157 | 0 |
| | FF | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | MCF | 0 | 42,347,862 | (2,788,624) | 39,559,238 | 42,553,738 | 246,569 | 42,800,307 | 0 | 42,800,307 | 0 |
| | MGF | 0 | 21,173,930 | (1,394,312) | 19,779,618 | 21,276,868 | 123,285 | 21,400,153 | 0 | 21,400,153 | 0 |
| | NGF | 0 | 29,031,015 | (1,394,312) | 27,636,703 | 29,133,953 | 123,285 | 29,257,238 | 0 | 29,257,238 | 0 |
| ((9) Services for People with Disabilities (A) Developmental Disability Services (1) Community Services - (b) New Line Hold Harmless | Total | 0 | 0 | 1,000,000 | 1,000,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| | FTE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0 |
| | GF | 0 | 0 | 1,000,000 | 1,000,000 | 0 | 0 | 0 | 0.0 | 0.0 | 0.0 |
| | GFE | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | CF | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | CFE | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 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 | 0 | 0 | 1,000,000 | 1,000,000 | 0 | 0 | 0 | 0 | 0 | 0 |

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

Request Title: Decision Item FY 08-09 Base Reduction Item FY 08-09 Supplemental FY 07-08 Budget Request Amendment FY 08-09
 Department: Division for Developmental Disabilities Medicaid Appropriation Reduction.
 Priority Number: S-4B Dept. Approval by: _____ Date: _____
 OSPB Approval: _____ Date: _____

| 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 |

Letternote revised text: a: Of this amount, \$281,791,740 ~~\$279,003,086~~ shall be from Medicaid funds transferred from the Department of Health Care Policy and Financing, \$26,463,895 shall be from client cash sources, \$9,130,329 (L) shall be from local matching funds, and \$491,319 (T) shall be transferred from the Division of Vocational Rehabilitation. **Up to 1.0% of Medicaid funds appropriated, if not expended prior to July 1, 2008, shall be rolled forward for expenditures in FY 2008-09.**
 b: Any unexpended funds as of July 1, 2008 shall be rolled forward for use in FY 2008-09.

Cash Fund name/number, Federal Fund Grant name: Title XIX Medicaid
 IT Request: Yes No
 Request Affects Other Departments: Yes No If Yes, List Other Departments Here: Health Care Policy and Financing

CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

| | |
|-----------------------|--|
| Department: | Human Services |
| Priority Number: | S-4B |
| Change Request Title: | Division for Developmental Disabilities Medicaid Appropriation Reduction |

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:

In the past Division for Developmental Disabilities (DDD) was allowed to roll forward 3% of its Medicaid Funds. In FY 2007-08 this would be \$8,453,751. In prior years, including FY 2006-07, there was a letternote, which gave the Department this authority. In SB07-239 Long Bill the letternote was included in the draft Long bill but an error was made and the letternote was not included in the final bill passed by the General Assembly and signed by the Governor. Therefore, at this time, the Division requests a letternote to reinstate the Department's authority to rollforward 1% Medicaid funding if it is unspent by July 1, 2008.

In FY 06-07 additional funding was identified towards the end of the year and the Department was authorized to roll forward, beyond the 3% allowed by letternote, for hold harmless funding. Based on very preliminary expenditure data, DDD projects \$5,682,936 from the Program Costs line in Medicaid Funding may be unexpended by the end of FY 2007-08. This supplemental requests that \$2,788,624 of the FY 2007-08 unexpended amount be reduced from the appropriation, \$1,000,000 General Funds be appropriated to a new Hold Harmless line in the Community Services line of the Long

Bill. The Department also requests that this line have roll forward authority to be used in FY 2008-09 if needed. This possible underutilization is a result of changes required by the Center for Medicaid and Medicare Services (CMS). These numbers are very preliminary and final estimates should not be relied upon until a minimum of six months of data is available. DDD expects to have better Medicaid expenditure data to assist in projections for Joint Budget Committee figure setting in 2008.

The Department requests a footnote in FY 2008-09, similar to FY 2006-07, that would allow for conversion of up to \$10,000,000 in underutilized FY 2008-09 Medicaid funds (50% General Fund) to be rolled forward as \$5,000,000 (100% General Fund) for use as hold harmless funding in FY 2009-10.

Background and Appropriation History:

The final CMS audit report on the Home and Community Based Services – for persons with Developmental Disabilities (HCBS-DD) Comprehensive (24-hour) Waiver program was issued in April 2004 and a renewal of the Waiver was approved September 24, 2004. The renewal was conditioned on various changes, including (1) the removal of certain program costs from the Waiver program and their transition to the Medicaid State Plan, and (2) steps to increase financial oversight and accountability for the program, including "unbundling" services and costs in the Comprehensive Waiver program. CMS required the changes to be made effective July 1, 2006. In response, the State developed a plan to address the immediate short-term needs and an overall long-term solution. Effective July 2006, the State established and implemented interim statewide uniform tiered rates based on analysis of existing rates. Providers were given the option to enroll as Medicaid providers and to bill directly through the Medicaid Management Information System. In addition, the State implemented procedures to collect detailed "prior authorization request" data on each client, and converted claims processing from a single bundled service to nine discreet services (FFS billing system) under the waiver to improve fiscal accountability. This change in authorization, billing and contracting methodology has resulted in reduced Medicaid billings and payments on both a temporary and long term basis.

The following table shows the history for the FY 2007-08 Adult Community Program and Children's Program appropriations as consolidated in the Long Bill (SB07-239) as Program Costs.

| Appropriation History | Total | General Fund | Cash Funds Exempt | Medicaid | Medicaid General Fund | Net General Fund |
|---|---------------|---------------------|--------------------------|-----------------|------------------------------|-------------------------|
| FY 2007-08 Adult Program Costs | | | | | | |
| Base Calculation | | | | | | |
| HB 06-1385 FY 2006-07 Long Bill | \$294,358,936 | \$12,438,159 | \$281,920,777 | \$247,952,288 | \$123,913,507 | \$136,351,666 |
| Supplemental 1-C Convert 6 months funds for new 90 comp 60 SLS from Med to GF | (\$1,902,791) | \$1,902,791 | (\$3,805,582) | (\$3,805,582) | (\$1,902,791) | \$0 |
| Supplemental 1-C Convert 6 months funds for COLA | (\$1,838,934) | \$1,838,934 | (\$3,677,868) | (\$3,677,868) | (\$1,838,934) | \$0 |
| Supplemental #2 - Local Funds Match | \$15,215,890 | \$0 | \$15,215,890 | \$15,215,890 | \$7,607,945 | \$7,607,945 |
| DD non-Medicaid case management functions | \$823,283 | \$823,283 | \$0 | \$0 | \$0 | \$823,283 |
| Medicaid cash accounting adjustment | (\$6,390,063) | \$7,738,019 | (\$14,128,082) | (\$14,128,082) | (\$7,064,041) | \$673,978 |
| Subtotal - base FY 2006-07 | \$300,266,321 | \$24,741,186 | \$275,525,135 | \$241,556,646 | \$120,715,686 | \$145,456,872 |
| Annualize one-time 1331 Supplemental 1-C (60/90 resources) | \$1,902,791 | (\$1,902,791) | \$3,805,582 | \$3,805,582 | \$1,902,791 | \$0 |
| Annualize one-time 1331 Supplemental 1-C (COLA) | \$1,838,934 | (\$1,838,934) | \$3,677,868 | \$3,677,868 | \$1,838,934 | \$0 |
| Annualize FY 2006-07 DI #1 | \$3,429,729 | \$0 | \$3,429,729 | \$3,119,463 | \$1,559,733 | \$1,559,733 |
| Annualize FY 2006-07 CES | \$0 | (\$18,736) | \$18,736 | \$18,736 | \$6,183 | (\$12,553) |

| Appropriation History | Total | General Fund | Cash Funds Exempt | Medicaid | Medicaid General Fund | Net General Fund |
|--|----------------------|---------------------|--------------------------|----------------------|------------------------------|-------------------------|
| Resources | | | | | | |
| Annualize CCMS adjustments | \$301,675 | \$59,058 | \$242,617 | \$242,617 | \$121,309 | \$180,367 |
| Annualize FY 2006-07 Med cash accounting shift | \$6,390,063 | (\$7,738,019) | \$14,128,082 | \$14,128,082 | \$7,064,041 | (\$673,978) |
| Subtotal - Annualization | \$13,863,192 | (\$11,439,422) | \$25,302,614 | \$24,992,348 | \$12,492,991 | \$1,053,569 |
| Total base FY 2007-08 | \$314,129,513 | \$13,301,764 | \$300,827,749 | \$266,548,994 | \$133,208,677 | \$146,510,441 |
| Leap Year Adjustment | \$822,865 | \$26,157 | \$796,708 | \$705,941 | \$352,971 | \$379,128 |
| Decision Item #3 (Including COLA and SSI increases) | | | | | | |
| New Foster Care resources | \$1,701,424 | \$0 | \$1,701,424 | \$1,549,661 | \$774,831 | \$774,831 |
| New Emergency resources | \$1,337,338 | \$0 | \$1,337,338 | \$1,220,109 | \$610,055 | \$610,055 |
| New Wait List Resources | \$380,059 | \$0 | \$380,059 | \$345,039 | \$172,520 | \$172,520 |
| New Supported Living Resources | \$216,712 | \$0 | \$216,712 | \$205,876 | \$102,938 | \$102,938 |
| Case Mgt for new CES Resources | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Case Mgt for new EI Resources | \$113,993 | \$78,539 | \$35,454 | \$29,754 | \$14,877 | \$93,416 |
| Total Decision Item | \$3,749,526 | \$78,539 | \$3,670,987 | \$3,350,439 | \$1,675,221 | \$1,753,760 |
| Total COLA (base) | \$4,312,692 | \$199,526 | \$4,113,166 | \$3,998,235 | \$1,998,130 | \$2,197,656 |
| SBA 3 Community Contract and Management System | (\$148,400) | (\$44,520) | (\$103,880) | (\$103,880) | (\$51,940) | (\$96,460) |
| PASARR Adjustment | \$0 | \$0 | \$0 | \$0 | (\$386) | (\$386) |
| TOTAL - Adult Funding | \$322,866,196 | \$13,561,466 | \$309,304,730 | \$274,499,729 | \$137,182,673 | \$150,744,139 |
| Children's Program's Costs | | | | | | |
| FY 2006-07 Long Bill | \$24,848,720 | \$16,699,924 | \$8,148,796 | \$6,913,658 | \$2,971,054 | \$19,670,978 |
| Supplemental 1-E | \$182,242 | \$182,242 | \$0 | \$0 | \$0 | \$182,242 |
| Supplemental 2 B requested | (\$1,567,391) | \$0 | (\$1,567,391) | (\$1,567,391) | (\$673,978) | (\$673,978) |
| Subtotal - base FY 2006-07 | \$23,463,571 | \$16,882,166 | \$6,581,405 | \$5,346,267 | \$2,297,076 | \$19,179,242 |
| Annualize June 2006 1331 Supplemental B | (\$182,242) | (\$182,242) | \$0 | \$0 | \$0 | (\$182,242) |

| Appropriation History | Total | General Fund | Cash Funds Exempt | Medicaid | Medicaid General Fund | Net General Fund |
|--|----------------------|---------------------|--------------------------|----------------------|------------------------------|-------------------------|
| Annualize Supplemental 2B | \$1,567,391 | \$0 | \$1,567,391 | \$1,567,391 | \$673,978 | \$673,978 |
| Annualize 30 new CES slots (1/2 year trade GF/Medicaid) | \$0 | (\$270,560) | \$270,560 | \$270,560 | \$89,285 | (\$181,275) |
| Subtotal - Annualization FY 2007-08 | \$1,385,149 | (\$452,802) | \$1,837,951 | \$1,837,951 | \$763,263 | \$310,461 |
| FY 2007-08 Base | \$24,848,720 | \$16,429,364 | \$8,419,356 | \$7,184,218 | \$3,060,339 | \$19,489,703 |
| DI #3 -Early Intervention Resources | \$537,432 | \$510,560 | \$26,872 | \$0 | \$0 | \$510,560 |
| FY 2007-08 1.5% COLA | \$372,730 | \$246,440 | \$126,290 | \$107,763 | \$45,905 | \$292,346 |
| Subtotal - Decision Items | \$910,162 | \$757,000 | \$153,162 | \$107,763 | \$45,905 | \$802,906 |
| SB07-004 Early Intervention | \$2,808,580 | \$0 | \$2,808,580 | \$0 | \$0 | \$0 |
| TOTAL - Children's Funding | \$28,567,462 | \$17,186,364 | \$11,381,098 | \$7,291,981 | \$3,106,244 | \$20,292,609 |
| Total Adult and Children's Program Lines FY 2007-08 Combined -Program Costs | \$351,433,658 | \$30,747,830 | \$320,685,828 | \$281,791,710 | \$140,288,917 | \$171,036,748 |

General Description of Request:

Based on preliminary current billing data for the first quarter of FY 2007-08 and analysis of the impact of changes made to both program and financial systems, DDD projects that the Medicaid expenditures in the HCBDD-DD (Comprehensive) and Supported Living Services (SLS) waiver will be less than projected in the FY 2007-08 appropriation. Most of these changes are short-term and one-time in nature that will only affect this fiscal year; however, there is some potential long-term impact as a result of program changes. As described above, numerous changes to the billing and prior authorization request (PAR) system have resulted in delays in billing for July through September, 2007, and as a result, it is difficult to trend and project the expenditures for this fiscal year. DDD will have better billing data by February 25, 2008 and expects to be able to more accurately project the Medicaid expenditures. Based on DDD analysis and input from service providers, the following underutilization issues were identified.

- Large Medicaid receivables indicate that approximately \$3 Million was billed at FY 2006-07 year-end (most likely delayed by billing/PAR issues). This would show as reversion in FY 2006-07.
- Waiver cap for SLS not approved until June 2007, leaving \$508K in the appropriation for FY 2006-07.
- 90 Comprehensive resources that were allocated as GF in FY 2006-07 due to Medicaid waiver cap restrictions were not all converted from GF by year end FY 2006-07, resulting in lower Medicaid billings for FY 2006-07.
- Delays in individuals obtaining Medicaid eligibility was an issue for some providers.
- Prior authorization requests (PAR) have been delayed due to the rewrite of the Community Contract Management System that interfaces with Medicaid Management Information System at Department of Health Care, Policy and Financing to authorize billings.
- Provider technology issues have delayed billings.
- Reductions in number of resources served as new Medicaid rules prohibit serving more individuals than allowed in the contract. Prior to the CMS accountability changes, Community Centered Boards (CCBs) were allocated funding in a bundled rate, allowing them to over-serve the number of resources in the contract as they managed to the funding in the contract.
- Insufficient direct care and case management staff at CCBs to address all of the new system demands/changes.
- Program changes to SLS have resulted in lower billings.

The following table identifies the amount of Medicaid that may be underutilized in FY 2007-08 as a result of the CMS accountability requirements. This table, based on preliminary estimates, reflects the Medicaid Cash Funds, Medicaid General Fund and Net General Fund for the Appropriation. This also shows the General Fund impact of changes that will occur in the Department of Health Care Policy and Financing budget for Medicaid.

| Calculation for FY 2007-08 Medicaid Reduction | Total | General Fund | Cash Funds Exempt | Medicaid Cash Fund | Medicaid General Fund | Net General Fund |
|---|---------------|-------------------------|------------------------------|-------------------------------|--------------------------------------|-----------------------------|
| FY 2007-08 Long Bill SB07-239 | \$348,625,078 | \$30,747,830 | \$317,877,248 | \$281,791,710 | \$140,288,917 | \$171,036,748 |
| Revised Projection FY 2007-08 | \$342,942,142 | \$30,747,830 | \$312,194,312 | \$275,605,981 | \$137,521,049 | \$168,268,888 |
| Projected FY 2007-08 Medicaid Underutilization as of 11-13-2007 | \$5,682,936 | \$0 | \$5,682,936 | \$5,682,936 | \$2,767,868 | \$2,767,868 |
| Amount for FY 2007-08 “hold harmless” | \$1,000,000 | \$1,000,000 | \$0 | \$0 | \$0 | \$1,000,000 |
| Appropriation Reduction | (\$2,788,624) | \$0 | (\$2,788,624) | (\$2,788,624) | (\$1,394,312) | (\$1,394,312) |
| Net Changes | (\$1,788,624) | \$1,000,000 | (\$2,788,624) | (\$2,788,624) | (\$1,394,312) | (\$394,312) |

The Department recommends that the following footnote be drafted, similar to the FY 2006-07 footnote that will allow up \$10,000,000 of any Medicaid FY 2008-09 underutilization to be converted to GF (the 50% GF match) and rolled forward to FY 2009-10 to be used as hold harmless for providers.

DEPARTMENT OF HUMAN SERVICES, SERVICES FOR PEOPLE WITH DISABILITIES, DEVELOPMENTAL DISABILITY SERVICES, COMMUNITY SERVICES, PROGRAM COSTS – OF THE TOTAL APPROPRIATION IN THIS LONG BILL SECTION \$10,000,000 MEDICAID CASH FUNDS EXEMPT IF NOT EXPENDED PRIOR TO JUNE 30, 2009, MAY BE CONVERTED TO UP TO \$5,000,000 GENERAL FUND, AND MAY BE ROLLED FORWARD FOR EXPENDITURE IN FY 2009-10. IT IS THE INTENT OF THE GENERAL ASSEMBLY THAT SAID AMOUNT BE USED ON A ONETIME BASIS AS “HOLD HARMLESS” FUNDS TO ASSIST DEVELOPMENTAL DISABILITY CONSUMERS AND PROVIDERS NEGATIVELY AFFECTED BY THE CONVERSION TO A STATEWIDE RATE STRUCTURE FOR DEVELOPMENTAL DISABILITY MEDICAID WAIVER SERVICES.

Consequences if Not Funded:

The Medicaid appropriation for Community Programs in DDD could be under-spent, resulting in reversions in Medicaid funding and the GF 50% match. Identification of potential reversions in this supplemental could free up some of the appropriation for other purposes.

Calculations for Request:

| FY 2007-08 Supplemental Request | Total Funds | General Fund | Cash Funds Exempt | Medicaid Cash Funds | Medicaid General Fund | Net General Fund |
|---|--------------------|---------------------|--------------------------|----------------------------|------------------------------|-------------------------|
| Total | (\$1,788,624) | \$1,000,000 | (\$2,788,624) | (\$2,788,624) | (\$1,394,312) | (\$394,312) |
| Hold harmless" new line item | \$1,000,000 | \$1,000,000 | \$0 | \$0 | \$0 | \$1,000,000 |
| Reduction in Medicaid for Community Program Costs – Supported Living Services | (\$2,788,624) | \$0 | (\$2,788,624) | (\$2,788,624) | (\$1,394,312) | (\$1,394,312) |

Assumptions for Calculations:

The Medicaid utilization is based on expenditures for the period July through September of FY 2007-08, annualized to a full year. These expenditures, however, are based on data that is incomplete at this time as there were a number of billing issues that caused the billings and payments for the first quarter to be substantially understated. DDD expects to have better data to project the expenditures by February 25, 2008. The new resources that were appropriated for FY 2007-08 were added to the projection for the period January-June 2008.

Medicaid program utilization estimated for FY 2007-08 is summarized as follows:

| DDD Medicaid Estimate by Program | Current Appropriation Distribution FY 2007-08 | Estimated Expenditures FY 2007-08 | Est. Under-Utilization FY 2007-08 |
|--|--|--------------------------------------|--------------------------------------|
| Comprehensive Services | \$215,878,927 | \$215,878,927 | \$0 |
| Supported Living Services | \$42,556,472 | \$37,873,536 | \$4,682,936 |
| Targeted Case Management | \$16,506,608 | \$16,506,608 | \$0 |
| Children's Extensive Support Program | \$6,849,703 | \$5,849,703 | \$1,000,000 |
| Total (see SB 07-239 letternote a page 297) | \$281,791,710 | \$276,108,774 | \$5,682,936 |
| Calculation of Available Medicaid Cash Fund: | | | |
| Medicaid Anticipated Savings | | | \$5,682,936 |

As stated previously, DDD believes that most of the Medicaid under-utilization is due to one-time billing and PAR issues as well as delays in implementing new resources because of the Medicaid Waiver cap limitations. There are however, some changes that will most likely produce long-term reductions in the Medicaid utilization in DDD program. DDD will provide updated estimates of the amount of long term funding available due to these program changes as they are analyzed.

Impact on Other Government Agencies:

This request will require funding changes in Health Care Policy and Financing budget to reflect the changes in Medicaid funds.

Cost Benefit Analysis:

This supplemental is to reduce the DDD Medicaid appropriation by \$2,778,624, based on expenditure preliminary projections for FY 2007-08. The cost/benefit analysis is based on a comparison of lost flexibility in FY 2007-08 reversion of those funds versus use in other program areas.

| Benefit | Amount |
|---|---------------|
| Other one-time State uses of General Fund | \$1,394,312 |
| Cost | |
| Reduction in Total Medicaid General Fund | \$1,394,312 |
| Cost Benefit Difference | \$0 |

Implementation Schedule:

| Task | Month/Year |
|--|-------------------|
| DDD identifies amount of potential long term Medicaid underutilization | February 2008 |
| FY 2007-08 Supplemental request updated for figure setting to include latest projections | February 2008 |

Statutory and Federal Authority:

27-10.5-104, C.R.S. (2007) Authorized services and supports - conditions of funding - purchase of services and supports - boards of county commissioners - appropriation.

(1) Subject to annual appropriations by the general assembly, the department of human services shall provide or purchase, pursuant to subsection (4) of this section, authorized services and supports through the community centered boards for persons who have been determined to be eligible for such services and supports pursuant to section 27-10.5-106, and as specified in the eligible person's individualized plan. Those services and supports may include, but are not limited to, the following:

(c) Case management services;

(d) Respite care services, which include temporary care of a person with a developmental disability in order to offer relief to the person's family or caregiver, or to allow the family or caregiver to deal with emergency situations or to engage in personal, social, or routine

activities and tasks that otherwise may be neglected, postponed, or curtailed due to the demands of caring for a person who has a developmental disability;

(e) Day services and supports which offer opportunities for persons with developmental disabilities to experience and actively participate in valued adult roles in the community. These services and supports will enable persons receiving services to access and participate in community activities, such as work, recreation, higher education, and senior citizen activities. Day services and supports, including early intervention services, may also include the administration of nutrition or fluids through gastrostomy tubes, if administered by an individual authorized pursuant to section 27-10.5-103 (2) (k) and supervised by a licensed nurse or physician.

(f) Residential services and supports, which include an array of training, learning, experiential, and support activities provided in living alternatives designed to meet the individual needs of persons receiving services and may include the administration of nutrition or fluids through gastrostomy tubes, if administered by an individual authorized pursuant to section 27-10.5-103 (2) (k) and supervised by a licensed nurse or physician;

(g) Ancillary services, which include activities that are secondary but integral to the provision of the services and supports specified in this subsection (1).

(2) Service agencies receiving funds pursuant to subsection (1) of this section shall comply with all of the provisions of this article and the rules and regulations promulgated thereunder.

(3) Service and support coordination shall be purchased from the community centered board designated pursuant to section 27-10.5-105, except pursuant to subsection (4) of this section.

(4) (a) The department of human services may purchase services and supports, including service and support coordination, directly from service agencies under the following conditions:

(I) The executive director requests the provision of an authorized service or support for which a need has been identified in at least one designated service area and funds are

available to purchase such service or support, and the community centered board has failed to purchase such service or support from a service agency or failed to provide it directly; or

(II) A designated community centered board has declined to participate in a pilot program authorized by the executive director or has declined to provide or purchase a service or support deemed critical by the executive director based on the following findings:

(A) The service or support is consistent with local, regional, and state needs;

(B) The service or support is needed immediately to ensure the health or safety of a person receiving services; and

(C) The service or support, or service and support coordination, is an innovative service which may lead to increased cost savings or efficiencies in a designated service area; or

(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 five percent local funding to be matched by ninety-five percent state funding less any federal or cash funds received for general operating expenses from any other state or federal source, 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, 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. Funds received for capital construction shall not be considered in the calculation for the distribution of funds under the provisions of this section.

Performance Measures:

| Measure | Outcome | FY 2005-06 Actual | FY 2006-07 Target | FY 2007-08 Target | FY 2008-09 Target |
|---|-------------------|------------------------------|------------------------------|----------------------------------|----------------------------------|
| Families will have the enhanced capacity to provide for their child's needs. Increase the percentage of families participating in early intervention services who report that early intervention services have improved the family's ability to help their child develop and learn. | Program Benchmark | N/A | N/A | Increase above FFY 2007 baseline | Increase above FFY 2008 baseline |
| | Actual | N/A | Available in December 2007 | | |
| Young children will have the enhanced capacity to improve their competencies and talents. Increase the percentage of infants and toddlers participating in early intervention services who improve their acquisition and use of knowledge and skills (motor, cognition, speech, language, etc.). | Program Benchmark | N/A | N/A | Increase above FFY 2007 baseline | Increase above FFY 2008 baseline |
| | Actual | N/A | Available in December 2007 | | |
| Integrated employment should be the primary option for all persons receiving Day Habilitation Services and Supports. Increase the percentage of adults with developmental disabilities in the community enrolled in day services who have integrated employment. | Program Benchmark | 30.1% | 30.9% | 31.9% | 33.0% |
| | Actual | 30.1% | 31.4% | | |
| DDD rules dictate that integrated employment should be the primary option for all persons receiving Day Habitation Services and Supports. Projections were calculated from the FY 2006 total enrollment of 6,574 in day program and 1,981 in integrated employment. The projections assume that the total number enrolled each year in Day Habitation will increase by approximately 100 persons. The measure targets a 5% increase each year in the actual number of persons employed after adjusting the total number enrolled in Day Habitation for this assumption. | | | | | |

| | | | | | |
|--|-------------------|-----|--------|--------|--------|
| Provide a safe and secure residential environment for Regional Center residents. Decrease the rate of critical incidents, as a percentage of the average daily census, at the Regional Centers. | Program Benchmark | N/A | N/A | 10.56% | 10.27% |
| | Actual | N/A | 10.96% | | |
| The benchmarks assume a 3% reduction in the total number of Critical incidents and no change to the average daily census. | | | | | |
| Provide adult services in the least restrictive setting. Increase the number of adults receiving 24-hour residential services who are able to be moved from institutional settings (Regional Centers, nursing facilities, and Mental Health Institutes) into community-based settings. | Program Benchmark | N/A | 32 | 35 | 36 |
| | Actual | 32 | 35 | | |

* These goals/objectives and performance measures were from the FY 2008-09 DHS Strategic Plan.