Please note, the attached file includes the mental health JBC staff recommendations for both the Department of Health Care Policy and Financing and the Department of Human Services FY 2005-06 figure setting, dated March 10, 2005. The state mental health budget is administered by both departments, depending on the program. [*Please also note, in many cases there are also additional FY 2004-05 supplemental recommendations, as well. These supplemental recommendations are in addition to those which were provided on January 13, 2005*.]

Department of Health Care Policy and Financing (pp. 2-56)

Department of Human Services (pp. 57-154)

COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE

FY 2005-06 FIGURE SETTING
DEPARTMENT OF HEALTH CARE POLICY AND FINANCING
MEDICAID MENTAL HEALTH
COMMUNITY PROGRAMS (ONLY)

JBC Working Document - Subject to Change

Staff Recommendation Does Not Represent Committee Decision

Prepared By:

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March 10, 2005

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FY 2005-06 Figure Setting
(Also FY 2004-05 Supplemental Recommendations)

Staff Figure Setting Recommendations for the Joint Budget Committee
Health Care Policy and Financing (Medicaid Mental Health Community)

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FY 2005-06 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HEALTH CARE POLICY AND FINANCING - Medicaid Mental Health Community Programs (Only)
Includes Only MH Related Requests for HCPF
Decision Item and Budget Amendment Priority List

	Division: Description						
Priority	***[Statutory Authority]***	**GF**	**CF**	**CFE**	**FF**	**Total**	**FTE**
2	**Medicaid Mental Health Community Programs, Several Line Items** Increases the base appropriations for the Medicaid Mental Health Community Programs in order to fund the forecasted mental health costs for individuals eligible for the Medicaid program	$4,077,113	$0	($41,988,938) *Mostly CFE transfers requested to be eliminated*	$4,039,323	($33,872,502)	0.0
A2	**Medicaid Mental Health Community Programs, Budget Amendment to Above Request**	$1,273,338	$0	$718	$1,275,289	$2,549,345	0.0
12	**Medicaid Services Premiums, Medicaid Services Premiums and Medicaid Mental Health Community Programs (B) Mental Health Programs, Medicaid Mental Health Fee for Service Payments** Transfer of $1.8 million ($890,150 GF and $890,150 FF) from the Medicaid Mental Health Fee for Service Payment line item to the Medicaid Services Premiums line item.	$0	$0	$0	$0	$0	0.0
	Total for Mental Health Portion of HCPI	**$5,350,451**	**$0**	**($41,988,220)**	**$5,314,612**	**($31,323,157)**	**$0.0**

	FY 2002-03 Actual	FY 2003-04 Actual	FY 2004-05 Appropriation	FY 2005-06 Request	FY 2005-06 Recommendation	NOTES
DEPARTMENT OF HEALTH CARE POLICY AND FINANCING						
Executive Director: Karen Reinertson						
(3) Medicaid Mental Health Community Programs						
(A) Program Administration	N/A [Prior to H.B. 04-1265, all expenditures		0 S	0	Included in EDO	BRI #1
FTE	for Medicaid mental health are shown in the		0.0 S	0.0	Discussed in HCPF	[Transfer to EDO and
General Fund	Department of Human Services budget.]		0 S	0	Premiums Fig Settin	EQRO, Below]
Federal Funds			0 S	0		
External Quality Review Organization (EQRO)	N/A [Prior to H.B. 04-1265, all expenditures			352,807	Included in EDO	BRI #1
General Fund	for Medicaid mental health are shown in the			88,202	Discussed in HCPF	[Transferred from Program
Federal Funds	Department of Human Services budget.]			264,605	Premiums Fig Settin	Administration, Above]
(B) Mental Health Programs						
(1) Medicaid Mental Health Capitation						
Capitation Base Payments for Estimated Medicaid Eligible Clients	N/A [Prior to H.B. 04-1265, all expenditures		140,624,800 d/	156,407,978 A	163,030,411	DI #2
General Fund	for Medicaid mental health are shown in the		70,312,400 d/	78,196,855 A	81,507,828	
Cash Funds Exempt (Tobacco)	Department of Human Services budget.]		0 d/	3,841 A	3,972	
Federal Funds			70,312,400 d/	78,207,282 A	81,518,611	
Mental Health Services for Breast and Cervical Cancer Patients	N/A [Prior to H.B. 04-1265, all expenditures		71,175 d/	Consolidated above	Consolidated above	DI #2
Cash Funds Exempt (Tobacco)	for Medicaid mental health are shown in the		24,911 d/			
Federal Funds	Department of Human Services budget.]		46,264 d/			

	FY 2002-03 Actual	FY 2003-04 Actual	FY 2004-05 Appropriation	FY 2005-06 Request	FY 2005-06 Recommendation	NOTES
Mental Health Institute Rate Refinance Adjustment	N/A [Prior to H.B. 04-1265, all expenditures		3,097,499 d/	Consolidated above	Consolidated above	DI #2
General Fund	for Medicaid mental health are shown in the		1,548,750 d/			
Federal Funds	Department of Human Services budget.]		1,548,749 d/			
Alternatives to Inpatient Hospitalization at the Mental Health Institute at Pueblo	N/A [Prior to H.B. 04-1265, all expenditures		852,311 d/	Consolidated above	Consolidated above	DI #2
General Fund	for Medicaid mental health are shown in the		426,155 d/			
Federal Funds	Department of Human Services budget.]		426,156 d/			
Alternatives to Inpatient Hospitalization at the Mental Health Institute at Fort Logan	N/A [Prior to H.B. 04-1265, all expenditures		783,191 d/	Consolidated above	Consolidated above	DI #2
General Fund	for Medicaid mental health are shown in the		391,595 d/			
Federal Funds	Department of Human Services budget.]		391,596 d/			
Alternatives to the Fort Logan Aftercare Program	N/A [Prior to H.B. 04-1265, all expenditures		310,702 d/	Consolidated above	Consolidated above	DI #2
General Fund	for Medicaid mental health are shown in the		155,351 d/			
Federal Funds	Department of Human Services budget.]		155,351 d/			
(2) Other Medicaid Mental Health Payments						
Medicaid Mental Health Fee for Service Payments	N/A [Prior to H.B. 04-1265, all expenditures		1,169,576 Sad	1,186,101	1,209,823	DI #2
General Fund	for Medicaid mental health are shown in the		584,788 Sd/	593,051	604,912	DI #12
Federal Funds	Department of Human Services budget.]		584,788 Sd/	593,050	604,911	
Medicaid Mental Health Child Placement Agency - CFE	N/A [Prior to H.B. 04-1265, all expenditures for Medicaid mental health are shown in the		7,440,901 bd/	0	6,149,084	DI #2
Medicaid Anti-Psychotic Pharmaceuticals - CFE	N/A [Prior to H.B. 04-1265, all expenditures for Medicaid mental health are shown in the Department of Human Services budget.]		34,526,249 d/	0	50,634,821	DI #2

	FY 2002-03 Actual	FY 2003-04 Actual	FY 2004-05 Appropriation	FY 2005-06 Request	FY 2005-06 Recommendation	NOTES
TOTAL - Medicaid Mental Health Community Programs	N/A [Prior to H.B. 04-1265, all expenditures for Medicaid mental health are shown in the Department of Human Services budget.]		188,876,404 ad/	157,946,886 A	221,024,139	
FTE			0.0	0.0	0.0	
General Fund			73,419,039	78,878,108 A	82,112,740	
Cash Funds Exempt			41,992,061	3,841 A	56,787,877	
Federal Funds			73,465,304	79,064,937 A	82,123,522	
*Net General Fund***			*90,682,164 c/*	*78,878,108 A*	*82,112,740*	

a/ In addition to this appropriation, the JBC approved a H.B. 98-"1331" supplemental to add $122,496 total funds, including $61,248 General Fund and $61,248 federal funds.

b/ This funding is shown for informational purposes only and reflects the contracted mental health services by Child Placement Agencies in the Department of Human Services' budget.

c/ This includes the direct General Fund shown above and the General Fund portion of the Medicaid anti-psychotic pharmaceuticals. The pharmaceuticals are appropriated in Medical Services Premiums and shown here for informational purposes. As such, the General Fund portion of the appropriation is shown in another area of the budget.

d/ Requested, but not reflected within the FY 2004-05 figures shown herein is a FY 2004-05 supplemental request of $6,331,650, including $2,298,898 General Fund, $1,768,790 cash funds exempt, and $2,263,962 federal funds.

Medicaid Mental Health Community Programs

House Bill 04-1265

Pursuant to H.B. 04-1265, responsibility for managing the Medicaid-funded mental health community programs (except for the Medicaid in the Goebel lawsuit settlement) was transferred to the Department of Health Care Policy and Financing from the Department of Human Services. Funding was commensurately adjusted in the FY 2004-05 Long Bill after H.B. 04-1265 became law.

New HCPF Responsibilities Pursuant to H.B. 04-1265

- Medicaid mental health capitation; and
- Medicaid mental health fee-for-service payments.

Medicaid mental health services are community-based using managed care

Medicaid mental health community services throughout Colorado are delivered through a managed care or "capitated" program. Under capitation, the State pays a regional entity - a Behavioral Health Organization (BHO)[1] - a contracted amount (per member per month) for each *Medicaid client eligible for mental health services in the entity's geographic area (about 400,000 statewide)*[2]. The BHO is then required to provide appropriate mental health services to all Medicaid-eligible persons needing such services. Thus, the BHO bears the risk for the costs of services. Additionally, only a

[1] Prior to January 1, 2005, Behavioral Health Organizations (BHOs) were referred to as mental health assessment and service agencies (MHASAs). As of January 1, 2005, BHOs are governed by a new contract. This includes, in some cases, a new geographical make-up and new actuarially certified rates.

[2] Not all Medicaid clients are eligible for mental health services (e.g., SLIMB/Qualified Medicare Beneficiaries and Non-Citizens). Only the caseload eligible for mental health services is reflected in the figures for Medicaid mental health.

portion of these eligibles will actually need/seek mental health services. This percent of eligibles receiving services is referred to as the "penetration rate", i.e., the ratio of clients served to total clients in the respective catchment areas.

The rate paid to each BHO for each class of Medicaid client eligible for mental health services (*e.g.*, children in foster care, low-income children, elderly, disabled) in each geographic region was established for FY 2005-06 through a Request for Proposal process. Under the capitated mental health system, changes in rates paid, and changes in overall Medicaid eligibility and case-mix (mix of clients within the population) are important drivers in overall state appropriations for mental health services. Simplistically stated, the budget is established based on the following formula:

Medicaid Mental Health Rate	**x**	**Medicaid Caseload**	**=**	**Budget**

a/ The Medicaid mental health rate is the per member per month rate established by the contract.
b/ The Medicaid caseload for mental health reflects only those clients eligible for mental health services, as not all Medicaid clients are eligible for mental health services.

Capitation represents over 75 percent of the total funding shown for Medicaid mental health community programs. The other 25 percent is comprised of a relatively small fee-for-service program and double-counts of other mental health expenditures (e.g., $6.5 million for the Child Placement Agency funds expended through Child Welfare and $41.3 million for Anti-Psychotic Pharmaceuticals funded in Medical Services Premiums). Backing out the "double-counts" (e.g., funding appropriated in one place and shown again in this Division for informational purposes), capitation represents an even greater percent of the General Fund appropriated for Medicaid mental health community programs.

Capitation Expenditure History and Projection

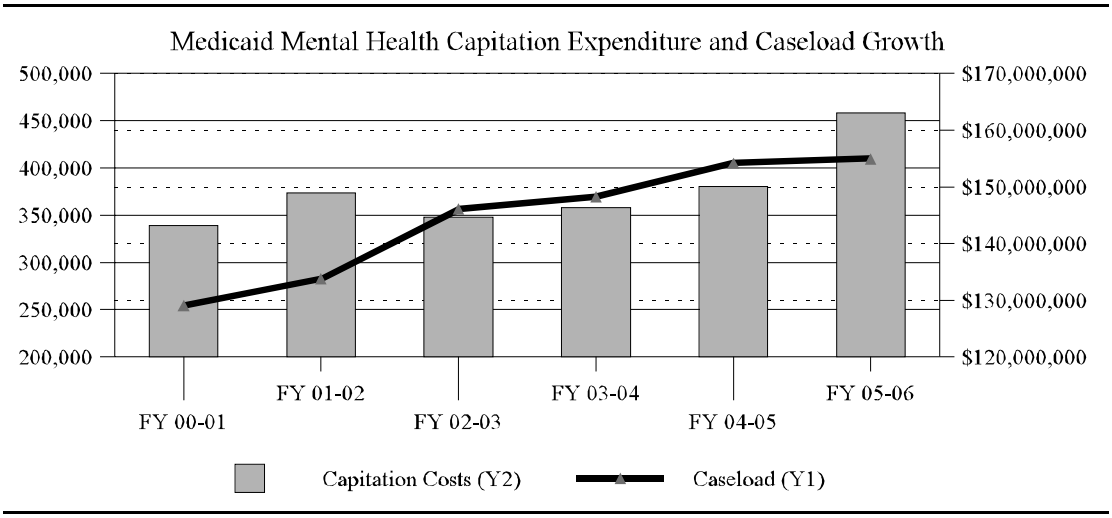
The following chart and graph provide information on the recent expenditures and caseload for the Medicaid mental health capitation to give the Committee a historical sense of the changes in the program.

DEPARTMENT OF HEALTH CARE POLICY AND FINANCING
Medicaid Mental Health Community Programs
FY 2005-06 Figure Setting
JBC WORKING DOCUMENT - DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

	FY 00-01 Actual	FY 01-02 Actual	FY 02-03 Actual	FY 03-04 Actual	FY 04-05 Recomm.	FY 05-06 Recomm.
Medicaid Mental Health Capitation Funding	$143,193,225	$148,906,860	$144,704,276	$146,347,218	$150,058,806	$163,030,411
Annual Dollar Change	$8,479,920	$5,713,635	($4,202,584)	$1,642,942	$3,711,588	$12,971,605
Annual Dollar Percent Change	5.9%	4.0%	-2.8%	1.1%	2.5%	8.6%
Individuals Eligible for Medicaid Mental Health Services (Caseload)	254,791	282,957	356,962	369,472	405,200	409,995
Annual Caseload Change	18,199	28,166	74,005	12,510	35,728	4,795

a/ The annual dollar totals and change are a function of the rates times the caseload increase. As such, past reduction in rates are not directly evident in this chart.

b/ Please note, the Medicaid caseload estimate for FY 2005-06 represents the pending JBC staff Medicaid caseload estimate and reflects the Department's transition to a per capita means of appropriation using the Medicaid premiums caseload instead of a unique Medicaid mental health caseload. Thus, for a one-year period, the comparison between FY 2004-05 and FY 2005-06 caseload will not directly translate because of the conversion.



Background: Prior Year Reductions in the Capitation Budget

State General Fund revenue shortfalls resulted in significant reductions to the Medicaid mental health capitation program in the last few years. As a result of statewide revenue shortfalls, Medicaid capitation rates were reduced significantly in FY 2002-03, FY 2003-04, and FY 2004-05 compared to FY 2001-02 levels. The reductions follow:

Capitation (BHO) Reductions FY 2001-02 to FY 2004-05 [3/]			
Fiscal Year	Area	Annual Totals	Cumulative Totals
FY 2001-02	"Performance Incentive Awards"	(2,605,098)	(2,605,098)
FY 2002-03	Base Reduction	(5,702,880)	(8,307,978)
FY 2003-04	Base Reductions [1/]	(8,800,580)	(17,108,558)
FY 2004-05	Base Reduction (carried forward from FY 2003-04) [2/]	(1,000,000)	(18,108,558)

[1/] Includes reduction of $5,832,643 plus $3,967,937, offset by a one-time payment of $1,000,000 from S.B. 03-282.
[2/] Reflects the non-continuation of S.B. 03-282.
[3/] Reflects total funds reduction for Medicaid; the General Fund portion is 50 percent of the total unless otherwise specified.

These reductions in total dollars have been tempered by dollar increases for the Medicaid caseload and funding for community alternatives to inpatient hospitalization services at the state mental health institutes which increased the total dollars in the community system (e.g., dollars were transferred from the institutions to the community). There have not been any cost of living increases for FY 2002-03, FY 2003-04, and FY 2004-05. The Department of Health Care Policy and Financing did not request a cost of living increase for FY 2005-06.

Program Administration

This section of the Mental Health Community Programs Division provides funding for the administration of the Medicaid mental health community programs. Its funding is all Medicaid with

the respective split between General Fund and federal funds (50 percent except for the EQRO program).

Both the Program Costs line and the Capitation External Quality Review line items were moved to the Executive Director's Office in FY 2004-05, consistent with all Departmental administrative expenditures. These areas will be addressed in the overall (non-mental health) HCPF figure setting for FY 2005-06.

Mental Health Programs

Medicaid Mental Health Capitation

The capitation request and recommendation for FY 2004-05 and FY 2005-06 is summarized below in the context of the total mental health community request. The Department's February 15th request contains a FY 2004-05 supplemental and a corresponding FY 2005-06 budget amendment provided to the JBC on February 15th. These two years' requests are related and are thus discussed together.

- **Supplemental and Budget Amendment for Medicaid Mental Health Community Programs of $6,331,650 total funds ($2,298,898 General Fund) in FY 2004-05 and $2,549,345 ($1,273,338 General Fund) in FY 2005-06 compared to the FY 2005-06 November 1 request.**

  The Department submitted in February an estimate for FY 2004-05 and a budget amendment for FY 2005-06. The request contained a variety of items and covers the entire division, not just capitation. Staff's discussion takes the FY 2004-05 supplemental first.

Summary of FY 2003-04 Community Mental Health Over-expenditures

- Recommended appropriation for the **FY 2003-04 overexpenditure of $1.3 million** ($0.7 million General Fund) based on $905,230 capitation and $432,919 fee-for-service overages.

DEPARTMENT OF HEALTH CARE POLICY AND FINANCING
Medicaid Mental Health Community Programs
FY 2005-06 Figure Setting
JBC WORKING DOCUMENT - DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

Summary of FY 2004-05 Community Mental Health Capitation Recommendation

- **Recommended FY 2004-05 supplemental increase of $4.3 million ($2.2 million General Fund) for capitation.** This includes the following;

  -- An increase of **$7.9 million in caseload changes**, which includes a half year impact of the actuarial rate change (approx. $0.5 million in FY 2004-05; $1.1 million in FY 2005-06).

  -- A decrease **of $3.1 million** for a eligibility-based recoupment taken on behalf of FY 2002-03.

  -- A decrease of **$0.5 million** for a **disallowance** based on the Centers for Medicare and Medicaid Services (CMS) disallowance of FY 2002-03 Alternatives to Institutionalization payments.

Summary of FY 2005-06 Community Mental Health Capitation Recommendation

- **Recommended FY 2005-06 increase (over the increased FY 2004-05 supplemental base) of $12.9 million ($6.5 million General Fund) for Capitation.** This includes:

  -- An increase of **$8.4 million for caseload/mix changes**. The caseload is also calibrated to mirror the Medicaid Premiums caseload recommended.

  -- An **increase of $3.2 million** for a **2.0 percent community provider rate** increase.

  -- A **funding adjustment that provides for a decrease of $2.3 million** based on an estimated **FY 2003-04 based eligibility recoupment** to be taken in FY 2005-06 and an increase for the reinstatement of $0.5 million disallowed in FY 2004-05.

Capitation Area	Total Funds Recommend.	Total Funds Request	Total Funds Difference
FY 2004-05 Appropriation			
Capitation Base Payments	140,624,800	140,624,800	0
Cervical Cancer MH	71,175	71,175	0
MHI Rate Refinance Add-on	3,097,499	3,097,499	0
Institute Alternative: Pueblo	852,311	852,311	0
Institute Alternative: Fort Logan	783,191	783,191	0
Institute Alternative: Fort Logan Aftercare	310,702	310,702	0
Total FY 2004-05 Appropriation	145,739,678	145,739,678	0
FY 2004-05 Supplemental Changes			
Caseload/Actuarial Rate/Other	7,979,197	6,813,971	1,165,226
Adjustment to Cervical Cancer	(53,748)	(53,748)	0
Correction of FY 2002-03 Recoupment	(3,131,775)	(3,131,775)	0
FY 2003-04 Overage	0	905,230	(905,230)
Less FY 2002-03 Altern. To Institutionalization	(474,546)	(474,546)	0
Subtotal	4,319,128	4,059,132	259,996
New FY 2004-05 Base (Total Funds)	**150,058,806**	**149,798,810**	**259,996**
Increase over FY 2004-05 Appropriation	**4,319,128**	**4,059,132**	**259,996**
Percent Increase over Appropriation	**3.0%**	**2.8%**	**N/A**
Calculation of FY 2005-06			
FY 2004-05 New Base	150,058,806	149,798,810	259,996
FY 2003-04 Estimated Recoupment	881,775	(2,250,000)	3,131,775
FY 2005-06 Caseload/Case-mix	6,469,350	6,158,077	311,273
2.0% COLA	3,179,385	0	3,179,385
Correction to MHI Rate Refinancing	1,966,549	0	1,966,549
Eliminate FY 05 Decrease of FY 03 Disallowance	474,546	474,546	0
Eliminate FY 2003-04 Overage Paid in FY 2004-05	0	(905,230)	905,230
Eliminate the Extra FY 2002-03 Recoupment	0	3,131,775	(3,131,775)
Refinancing of Breast/Cerv. Cancer (26-4-532, C.R.S.)	0	0	0
Total	163,030,411	156,407,978	6,622,433
Primary Differences Between Recomm & Request			
Medicaid Caseload Estimate	311,273	(311,273)	
2.0 Percent COLA	3,179,385	(3,179,385)	
Variance in Estimated FY 2003-04 Recoupment	881,775	(881,775)	
Variance in Estimated FY 2003-04 Recoupment	2,250,000	(2,250,000)	
Total Differences (Recommend. To Request)	6,622,433	(6,622,433)	

DEPARTMENT OF HEALTH CARE POLICY AND FINANCING
Medicaid Mental Health Community Programs
FY 2005-06 Figure Setting
JBC WORKING DOCUMENT - DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

The FY 2004-05 Department of Health Care Policy and Financing supplemental request does the following:

- Adds $6.8 million in new capitation funding for 28,954 Medicaid mental health clients and reflects a half-year transition to the new RFP rates. Approximately half of this sum is from the General Fund and half is from matching Medicaid federal funds.

- Reduces the FY 2004-05 capitation budget by $3.1 million associated with a FY 2002-03 recoupment based on incorrect eligible counts.

- Reduces the capitation budget by $474,546 associated with a FY 2002-03 CMS disallowance associated with the Alternatives to Institutionalization program.

- Reflects a FY 2003-04 capitation over-expenditure of $905,230.

- Reduces the budget by $5.0 million for the Child Placement Agency (CPA) program.

- Reflects an increase in the anti-psychotic pharmaceutical budget of $6.8 million cash funds exempt (shown for informational purposes only as it is appropriated in the Medicaid Medical Services Premiums budget).

Summary of FY 2004-05 Medicaid Mental Health Community HCPF Request
The request adds $6,331,650 total funds ($2,298,898 General Fund) in new funding, including a FY 2003-04 over-expenditures of $1,338,149 (capitation and fee-for-service).

Caseload/RFP Rate Change	$6,813,971
Breast/Cervical Cancer Caseload	(53,748)
FY 2003-04 Overexpenditure	905,230
FY 2002-03 Recoupment	(3,131,775)
FY 2002-03 Disallowance	(474,546)
Subtotal Capitation Request	$4,059,132
Fee-for-Service Increase	$484,916
CPA Program Decrease	(5,003,951)
Anti-psychotic Pharmaceutical	6,791,553
Total Request Change	$6,331,650

Staff Recommendation for FY 2004-05

The FY 2004-05 staff recommendation for Medicaid mental health community funding does the following:

- Adds $7,925,449 in new capitation funding for 405,200 Medicaid mental health clients (an increase of 28,954 clients) and reflects a half-year of the new RFP rates which began January 1, 2005. Approximately half of this sum is from the General Fund and half is from matching Medicaid federal funds.

- Reduces the capitation budget by $3,131,775 associated with a FY 2002-03 recoupment based on incorrect eligible counts. This reduction is treated as an adjustment to the capitation base. Please note, however, that staff's recommendation for the base is $3,131,775 higher than the Department's request: staff found that the Department had inadvertently removed the $3,131,775 twice from the capitation base -- once in its base caseload total and again as an adjustment to the base. This $3,131,775 is netted out in the Department's caseload request figures. As such, staff's recommendation is $3,131,775 higher than the Department in order to correct this. The Department concurs with this finding.

- Reduces the capitation budget by $474,546 associated with a FY 2002-03 CMS disallowance associated with the Alternatives to Institutionalization program.

- Decreases the estimate for FY 2004-05 by $1,966,549 associated with the mental health institute rate refinance line item. The Department's figures for FY 2004-05 show the full $3,097,499 fully funded as a separate line item; however, the Department's calculations provided show that $1,966,549 was already included in the base capitation payment figures assumed. As such, this amount is double-counted in the request, and thus reduced in the staff recommendation to compensate.

- Reduces the Child Placement Agency (CPA) funding shown for informational purposes in HCPF by $903,992 to reflect the Child Welfare budget estimate for a total of $6,536,909. This figure is still potentially pending, however.

- Reflects an increase in the anti-psychotic pharmaceutical budget of $6.8 million cash funds exempt (shown for informational purposes only as it is appropriated in the Premiums budget).

- Does not reflect a FY 2003-04 capitation over-expenditure of $905,230 total funds (half is from the General Fund) in FY 2004-05. This is instead treated as a FY 2003-04 overexpenditure separately. Also, does not reflect a FY 2003-04 fee-for-service over-expenditure of $432,919 total funds (half is from the General Fund) in FY 2004-05. This is instead treated as a FY 2003-04 overexpenditure separately.

Summary of FY 2004-05 Medicaid Mental Health Community Recommendation

For FY 2004-05, the recommendation adds **$10,258,686 total funds ($2,212,436 General Fund)** in new funding. Included in the recommendation is the following:

- An increase of $7,969,197 that reflects Medicaid mental health caseload and a half year of the new RFP actuarial rate, also a decrease of $53,748 in the B&CC Caseload.
- A decrease of $3,131,775 associated with a FY 2002-03 recoupment.
- A decrease of $474,546 associated with a CMS of the JBC's FY 2002-03 Alternatives to Institutionalization funding.
- A small increase for fee-for-service ($51,997).
- An adjustment in the Child Placement Agency informational-only figure based on the JBC's Child Welfare FY 2004-05 supplemental, still pending.
- An increase of $6,791,553 in the anti-psychotic pharmaceutical informational-only figure based on the FY 2004-05 supplemental estimate in Medicaid, pending the JBC's approval in Medicaid.

Changes	
Caseload/RFP Rate Change	$9,945,746
Caseload - Breast/Cervical Cancer	(53,748)
FY 2002-03 Recoupment	(3,131,775)
FY 2002-03 Disallowance	(474,546)
Subtotal Capitation	$4,319,128
Fee-for-Service Increase a/	51,997
CPA Program Decrease	(903,992)
Anti-psychotic Pharmaceutical	6,791,553
Total Recommendation	$10,258,686

[a/] Difference between the $484,916 fee-for-service request/estimate and the $51,997 recommended is that $432,919 is instead shown as a FY 2003-04 overexpenditure.
Other: FY 2003-04 Portions

Instead of funding the FY 2003-04 overexpenditure in the FY 2004-05 base, staff's recommendation is to fund the **FY 2003-04 overexpenditure as an add-on to the FY 2003-04 appropriation. The total FY 2003-04 overage is $1,338,149 ($669,075 General Fund)** based on $905,230 total funds for capitation and $432,919 for fee-for-service overages in FY 2003-04.

Medicaid Mental Health Community Funding

FY 2005-06 Staff Recommendation

- **The FY 2005-06 recommendation for all of Medicaid mental health community funding is for $221,024,139 total funds**, including $82,112,740 General Fund, $56,787,877 cash funds exempt ($56,783,905 of which is appropriated elsewhere and reflected herein for informational purposes), and $82,123,522 federal funds.

- Within the recommendation is a recommended budget of **$163,030,411 ($81,507,828 General Fund) for Medicaid mental health capitation, an increase of $12,971,605 for capitation**, or 8.6 percent, over the FY 2004-05 supplemental recommendation. This figure reflects Medicaid mental health payments for 409,995 Medicaid clients.

  ✓ Capitation funding is now consolidated pursuant to the Department's RFP and request. It includes all the capitation line items separately funded in FY 2004-05, including $3,097,499 ($1,548,750 General Fund) associated with the mental health institutes rate refinance add-on, and $1,946,203 ($973,102 General Fund) for the alternatives to institutionalization line items.

  ✓ The request and recommendation assume a conversion in the Medicaid caseload from the previous Medicaid mental health methodology to a methodology that mirrors the Medicaid caseload in Medical Services Premiums. The two caseloads will now be the same, except for those categories which are not eligible for mental health. Until FY 2005-

06, there were two different caseload methodologies based on different ways that retroactivity was handled.

✓ The recommendation assumes an anticipated FY 2003-04 recoupment based on eligible counts totaling $2,250,000. However, since staff has determined that the Department inadvertently carried forward the $3,131,775 FY 2004-05 reduction associated with the FY 2002-03 recoupment into FY 2005-06, staff has offset this sum with an increase of $881,775 to balance to the $2,250,000 (-$3,131,775 + $881,775 = -$2,250,000). This figure is based on a discrete data pull that the Department did.

✓ Although the CMS has "disapproved the contract amendment containing a $3,695,818 one-time rate adjustment" that was funded by the General Assembly in FY 2003-04, this reduction is not included in the FY 2005-06 request or recommendation. The Department does not have a time-frame within which the CMS will require the recoupment. Although it is highly likely this would occur in FY 2005-06, there is no official information and therefore it is not included. According to the Department:

> "As of February 13, 2005, CMS has not taken any official action to disallow the costs so an adjustment has not been included in the Department's budget projection. If CMS takes such action before the end of the fiscal year, no additional General Fund would be required because only the federal portion will be recovered from contractors."

✓ The staff recommendation includes an increase of $3,179,385 ($1,589,548 General Fund) in the capitation line item for a 2.0 percent community provider rate increase, pursuant to Committee policy. The Department's request does not contain a COLA increase.

FY 2005-06 Changes from FY 2004-05 Recommendation

Caseload/RFP Rate Change	$8,435,899
2.0 Percent community provider rate	3,179,385
Eliminate One-time Disallowance/Cut	474,546
Estimated FY 2003-04 Recoupment	881,775
Total FY 2005-06 Capitation Changes	$12,971,605
Fee-for-Service Change	($11,750)
CPA Program Change	(387,825)

Anti-psychotic Pharmaceutical	9,317,019
Total FY 2005-06 Community Increase	$21,889,049

Now that the total funding for all lines in the Medicaid mental health community programs section has been discussed, the following narrative discusses the funding on a line item basis.

Medicaid Mental Health Capitation

Capitation Payments for Clients Eligible for Medicaid Mental Health Services
Section 26-4-123, C.R.S. mandates the use of managed care (capitation) for the mental health service provision. The Mental Health Capitation line item funds capitated Medicaid mental health services for Medicaid clients. Funding in this line is provided to five regional BHOs that bid to manage mental health services for Medicaid clients in the State. Most of the State's BHOs are affiliated with the State's 17 Community Mental Health Centers (the exception is that Colorado Access also contracts with PCPs for the provision of mental health services). In return for monthly capitated payments, each BHO provides mental health services to Medicaid-eligible people in its catchment area.

The FY 2005-06 request is for $156,407,978 (including $78,196,855 General Fund, $3,841 cash funds exempt [tobacco], and $78,207,282 federal funds). The request is based on a projected 407,671 Medicaid clients eligible for mental health services. The request annualizes the new actuarial rate, it rolls all the separate line item funding into one consolidated line per the RFP's assumptions, and it includes a reduction of $2,250,000 which is based on a data pull of the FY 2003-04 recoupment.

For FY 2005-06, staff recommends $163,030,411 (including $81,507,828 General Fund, $3,972 cash funds exempt [tobacco], and $81,518,611 federal funds). The recommendation is based on the JBC staff Medicaid caseload estimate of 409,995 for Medicaid clients eligible for mental health services.

Staff's FY 2005-06 recommendation is $12,971,605 ($6,487,140 General Fund) higher than the FY 2004-05 supplemental recommendation of $150,058,806($75,020,688General Fund). The FY 2005-06 increase over FY 2004-05 is comprised of the following components:

Caseload/RFP Rate Change	$8,435,899
2.0 Percent community provider rate	3,179,385
Eliminate One-time Disallowance/Cut	474,546
Adjustment for Estimated FY 2003-04 Recoupment	881,775
Total FY 2005-06 Capitation Changes	$12,971,605

The variance from the request of $6,622,433 ($3,310,973 General Fund) is attributable to the following three factors: (1) the application of a 2.0 percent community provider rate increase which drives $3,179,385; (2) $311,273 associated with a slightly higher caseload figure; and (3) an adjustment to the FY 2005-06 estimate that inadvertently includes $3,131,775 in the calculated base from FY 2004-05 brought forward into FY 2005-06. [The Department's FY 2005-06 request includes an additional $2,250,000 for the recoupment, but the request figures carry forward $3,131,775 already in the base, so staff's recommendation adds $881,775 to adjust down to the $2,250,000 estimated recoupment.]

Other -- Two Items of Note:

Item One: Overview of Reductions

During the January 13, 2005, supplemental presentation, JBC staff presented the following chart showing the reductions in the system anticipated but not yet included in the budget.

Items (Anticipated) that are not reflected in the November 1 or January 1 budget submissions				
Area	Total	General Fund	CFE	Federal Funds
New RFP Actuarial Rate [1/]	(1,063,674)	(531,837)	0	(531,837)
FY 2002-03 Recoupment	(3,131,775)	(1,565,888)	0	(1,565,888)
Disallowance of FY 2002-03 Alternatives to Institutionalization	(474,546)	(237,273)	0	(237,273)
Disallowance of FY 2003-04 One-time Rate Enhancement	(3,695,818)	(1,847,909)	0	(1,847,909)
Subtotal: Reductions to the System Discussed in the JBC Staff Briefing [1/]	(8,365,813)	(4,182,907)	0	(4,182,907)
Disallowance of Child Placement Agency Medicaid Funding [2/]	(7,440,901)	0	(3,720,451)	(3,720,451)
Total Potential Reductions to Medicaid Mental Health System	**(15,806,714)**	**(4,182,907)**	**(3,720,451)**	**(7,903,357)**

[1/] *Please note, however, that for FY 2004-05, the impact of the new actuarial rate reduction will be half of this sum (or $531,837, including $265,918 General Fund and $265,917 federal funds) because the new rates were effective January 1st, half-way through the state fiscal year.*
[2/] *This is an annualized (full year) figure; at the present time, it is not known whether the full year's costs are at risk or just the expenditures subsequent to the November 30th letter.*

The February 15, 2005, budget submission for FY 2004-05 and FY 2005-06 reflects most of these adjustments over the two year period.

DEPARTMENT OF HEALTH CARE POLICY AND FINANCING
Medicaid Mental Health Community Programs
FY 2005-06 Figure Setting
JBC WORKING DOCUMENT - DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

Reductions Previously Noted That Are Now Included or Noted in the FY 2004-05 and FY 2005-06 Budgets		
Area	FY 2004-05 Total Funds [1/]	FY 2005-06 Total Funds [1/]
Estimated Impact of New RFP Actuarial Rate[4/]	(531,837)	(1,063,674)
FY 2002-03 Recoupment	(3,131,775)	0 [2/]
Disallowance of FY 2002-03 Alternatives to Institutionalization	(474,546)	0
Disallowance of FY 2003-04 One-time Rate Enhancement ($3,695,818 total funds, $1,847,909 General Fund and $1,847,909 federal funds)	N/A	(1,847,909) [3/]
Subtotal: Reductions to the System Discussed in the JBC Staff Briefing	(4,138,158)	(2,911,583)
Disallowance of Child Placement Agency Medicaid Funding	Unknown at this time	Unknown at this time
Total Potential Reductions to Medicaid Mental Health System	**(4,138,158)**	**(2,911,583)**

[1/] In most cases, unless otherwise specified, the funds are 50 percent General Fund and 50 percent federal funds.
[2/] According to the BHOs, the FY 2003-04 recoupment (estimated at $2,250,000) was anticipated and therefore is not categorized at the same level of "surprise".
[3/] Please note, the federal funds portion only is noted here. While the full $3,695,818 FY 2003-04 rate enhancement appropriated by the General Assembly **was disallowed by CMS**, the Department has indicated its intent to only recoup (take back) the federal funds portion of the enhancement. This federal funds portion (and potential reduction to the system) is $1,847,909. Please also note -- this sum is not removed in the FY 2005-06 request or recommendation as "CMS **has not taken any official action** to disallow the costs so an adjustment has not been included in the Department's budget projection." [Emphasis added.]
[4/] Estimated is based on comparing the FY 2004-05 appropriated rates and caseload to the November 2004 caseload and new rates. For FY 2005-06 this figure is annualized.

Item Two: Rate Equity in the System

Some JBC members have discussed with staff the issue of the variability of the rates amongst the regions. Last year in the JBC's FY 2004-05 hearing with the Department of Health Care Policy and Financing on the rebid of the Medicaid mental health capitation program, the Department responded:

> Any potential reconfigurations of the system need to take numerous factors into account, including critical mass, more even distribution of penetration/utilization rates and equalization of capitation rates. . . [*Source: page 31, HCPF response to JBC, question #55.*]

In September, in response to a query on the RFP rate disparity from a JBC member, the Department indicated the following:

> In an attempt to achieve greater parity in the rates, the Department combined eight (8) mental health regions into five (5) regions. [*Source: September 27, 2004, HCPF letter to Senator Owen, page 2*]

However, staff would note that the new RFP combined two MHASAs together with some of the highest rates (Boulder and Jeffco) and also combined MHASAs together that had among the lower rates (Sycare/Value Options, West Slope/Value Options and Colorado Springs combined into Western/Southern). Although regions were combined, this change would not appear to result in a blending of rates. The new RFP rates follow (by caseload category and geographic region):

RFP Rates	OAP-A	Disabled	Adults	Children	Foster Care
Northeast	$8.65	**$50.26**	$11.31	**$8.08**	$281.36
Western/Southern	$16.55	$71.44	$14.84	$13.13	$321.17
Denver	$14.29	$51.11	**$6.52**	**$9.69**	**$162.98**
East Metro	**$7.43**	$86.69	$10.66	$11.78	$315.32
W Metro	$10.92	$100.67	$14.52	$17.28	$321.41
Average	$11.57	$72.03	$11.57	$11.99	$280.45

Source: Exhibit K, Medicaid Mental Health Capitation RFP. Rates represent the per member per month rate (pmpm).

Examples of the rate variability between regions includes the following:

- The Denver foster care rate is 58 percent of the statewide average and 51 percent of the West Metro rate. Conversely, West Metro's foster care rate is 114 percent of the statewide average.

- The North East rate for low-income children is 67 percent of the statewide average and 47 percent of the West Metro rate.

- The East Metro Old Age Pension-A rate is 64 percent of the statewide average and 45 percent of the Southwest rate.

- The Northeast ranks the lowest on two of the five categories.

- Denver ranks lowest on three of the five categories.

- West Metro ranks highest on three of the five categories, including foster care, the most expensive category.

The Department indicates that, in the future, it will be basing rates on encounter data, and less on prior year's historical rates. However, both pieces of information would appear to continue past historical differences into the future; that is, encounter data that an actuary might use would be dependent upon the level of rates appropriated (and then expended on services which translate into encounter data). Colorado will have a circuitous rates structure as long as a historically based methodology is used.

Staff discussed the possibility of a State Auditor's Office audit/review of the rate methodology used with the State Auditor and met with a favorable response that an audit on the capitation was "long overdue". Such an audit would most likely require outside actuarial assistance at a cost of $50,000 General Fund, appropriated to the Department of Health Care Policy and Financing for this purpose and transferred over with a federal match to the Legislative Department, State Auditor's Office.

Staff therefore recommends that if the JBC wishes to further explore the significant variance in the rates between the Behavioral Health Organizations, that the JBC request an audit of the State Auditor's Office and consider appropriating funds so that the Department of Health Care Policy and Financing does not have to bear this cost.

If approved by the JBC, the directive to the SAO would be to determine the equitability of existing rates. Related to this would be the adequacy of existing rates. However, the term adequacy would need to be explored as we already know from the actuarial study done this summer that all of the rates are actuarially sound.

Figure setting for the remainder of the line items for Medicaid mental health community programs follows on the next page.

Medicaid Mental Health Services for Breast and Cervical Cancer Patients
This program was created through S.B. 01S2-12, adopted during the second 2001 special session. The caseload originally projected for the program was 71 women at a cost of $1,002.46 per client for mental health services.

The request contains the funding for this area within the main capitation line item, discussed above.

Staff's recommendation in the main capitation line item assumes the consolidation of this funding.

Mental Health Institute Rate Refinance Adjustment
Part of the total capitation funding (but not the actual capitation rate) was added a few years ago to refinance the mental health institutes. The BHOs purchase Medicaid beds from the mental health institutes out of their BHO capitation appropriation. A few years ago it was discovered that the BHO payment was not covering the total institute cost of the bed purchased; this meant that the General Fund was unnecessarily carrying the burden of other revenue streams. (This was not the BHO's fault, it was an issue that the Medicaid allowable costs were not being maximized. This drove a General Fund cost because General Fund "backfills" what other funding/revenue sources do not pay.) Maximizing Medicaid dollars (half General Fund and half federal funds) allows for a savings of costs that would otherwise be paid for with General Fund. This so-called rate refinance "add-on" is not part of the base funding that the BHOs receive *directly*. Instead, when the BHOs purchase a bed, this amount is separately "added on" -- paid by the state outside of the BHO capitation budget.

The request contains the funding for this area within the main capitation line item, discussed above.

Staff's recommendation in the main capitation line item assumes the consolidation of this funding.

Staff would like to make a note here separate (for now) from the funding of this line item, now obsolete with the new RFP and budget. An issue was raised at the JBC staff briefing on December 2nd that the potential existed for a TABOR impact if all of the BHO purchases of a bed at the mental health institutes were to come directly from the BHOs and not handled via an "administrative workaround" that would pay the mental health institutes on the BHO's behalf out of the BHO dollar

appropriation in the Department. If an entity outside the state such as a BHO pays the mental health institutes, that sum counts under TABOR. If that sum is paid from another state agency out of moneys that have not left the state, it is cash funds exempt -- therefore exempt from TABOR. As such, there is a multi-million potential TABOR impact at stake in how the moneys are managed by the Department.

The following information is from the Department's FY 2005-06 hearing with the JBC.

MHASA (BHO) Payments to the Institutes (JBC staff briefing, pages 59, 98-99)
JBC Question:

18. Rolling this payment into the BHO base rate means that if the BHOs use this sum to purchase services at the mental health institutes there will be a TABOR impact. What is the Department's estimate of this potential TABOR impact, and therefore General Fund impact, to the state from rolling the payment into the BHO line item? Is there any other way to manage this issue to eliminate the TABOR impact?

Department Response (HCPF Response to JBC at FY 2005-06 Hearing, December 9, 2004, pg. 7):

18. A single Department issue does not solely cause a TABOR impact. Since it is a state-wide measurement, no Department causes a TABOR overrun, but rather contributes to the calculation of the TABOR limit by positive and negative adjustments. The Department does not know what portions, if any, of the institute payments or transfers are used in the TABOR calculation today.

    Attachment 2 describes the amounts that have been deducted from the MHASA payments and the Rate Refinance amounts that the Department has paid to the Department of Human Services for the Institutes. Some or all of these payments may need to be calculated as part of the TABOR limit.

Based on this concern, on January 13, 2005, the JBC sent a letter to the Department of Health Care Policy and Financing. Below is an excerpt from the JBC's letter:

> The purpose of this letter is to request that the Department administer the Behavioral Health Organizations funding in such a manner as to eliminate any potential TABOR

> impact resulting from the purchase of a mental health institute bed. The Legislative Council Staff economic December 2004 forecast estimates that cash fund revenue has increased in FY 2004-05 by $68.3 million, causing an increase in the TABOR surplus of this amount. Your hearing responses project that the Behavioral Health Organizations will purchase $8.8 million in services from the mental health institutes in FY 2005-06 ($3.4 million year to date). Any dollar impact associated with a bed purchase at the mental health institutes would further add to the State's TABOR surplus, and correspondingly causes the need for further General Fund reductions. As a result, the Department is requested to take administrative action to create a work-around and pay the mental health institutes directly to eliminate this TABOR and associated General Fund impact.

Staff would note for the JBC that, as of the date of this writing, staff is not aware of any response that has been forthcoming to the JBC from the Department or OSPB despite numerous requests and queries from JBC staff to that effect. The impact upon TABOR is irrespective of the budget or funding. It is a question of how the funding is managed by the Department.

Alternatives to Inpatient Hospitalization at the Mental Health Institute at Pueblo

As part of the state's budget balancing actions, eight beds at CMHI Pueblo were closed on March 1, 2003, followed by the closure of 24 more beds (a full 32-bed unit) on April 1, 2003. In order to ensure that patients could continue to receive services, the General Assembly funded community-based alternatives and incorporated Medicaid into the overall funding structure. This line item funds the alternative placement for persons who would otherwise have used those beds.

This line item was adjusted in the FY 2003-04 to separate the Medicaid from the non-Medicaid (Indigent) clients. This item was previously contained within the Capitation rate as an "add-on" -- and then reflected in the budget as a transfer out of capitation to a separate line item (for tracking purposes). In the FY 2003-04 supplemental bill, the JBC separated out this payment from the base capitation rates in order to simplify the budget. In that action, the JBC also divided the program into Medicaid and non-Medicaid, consistent with the restructuring of the budget by eligibility type.

The request contains the funding for this area within the main capitation line item, discussed above.

Staff's recommendation in the main capitation line item assumes the consolidation of this funding.

Alternatives to Inpatient Hospitalization at the Mental Health Institute at Fort Logan
The Community Connections Inpatient (CCI) unit was an unlocked 27 bed unit that served as a "step down" from other adult units at the Mental Health Institute at Fort Logan. It was targeted for closure because it provided the lowest intensity of care at Fort Logan. It utilized physical therapy, behavioral programs, medication administration education and practice, occupational therapy, and intensive hygiene programs to raise the patient's level of functioning to match their anticipated placement. It also served as a "testing ground" for community placement for persons with dangerous behaviors and patients with a history of repeated recidivism. Patients also often had significant medical issues. In order to save the state significant amounts of General Fund, the Community Mental Health Centers took over the program on July 1, 2003, at which time the then existing program at Fort Logan was closed.

This line item was adjusted in the FY 2003-04 to separate the Medicaid from the non-Medicaid (Indigent) clients. This item was previously contained within the Capitation rate as an "add-on" -- and then reflected in the budget as a transfer out of capitation to a separate line item (for tracking purposes). In the FY 2003-04 supplemental bill, the JBC separated out this payment from the base capitation rates in order to simplify the budget. In that action, the JBC also divided the program into Medicaid and non-Medicaid, consistent with the restructuring of the budget by eligibility type.

The request contains the funding for this area within the main capitation line item, discussed above.

Staff's recommendation in the main capitation line item assumes the consolidation of this funding.

Alternatives to the Fort Logan Aftercare Program
The Committee approved the creation of this line item as part of FY 2002-03 supplemental actions. This funding allowed community providers to take over management of the then existing Fort Logan Aftercare program on April 1, 2003, resulting in General Fund savings. The Aftercare Program was created in 1972, and most recently consisted of three residential buildings and a family care program that involved referring clients to therapeutic home placements, similar to foster care placements. The

program served 53 severely ill, mostly elderly individuals, many of whom had spent the better part of their lives receiving housing and support through this program. Essentially, the Community Mental Health Centers said that they could provide similar services to those that had been provided by the Institute, but at a substantially lower cost.

This line item was adjusted in the FY 2003-04 budget to separate the Medicaid from the non-Medicaid (Indigent) clients. This item was previously contained within the Capitation rate as an "add-on" -- and then reflected in the budget as a transfer out of capitation to a separate line item (for tracking purposes). In the FY 2003-04 supplemental bill, the JBC separated out this payment from the base capitation rates in order to simplify the budget. In that action, the JBC also divided the program into Medicaid and non-Medicaid, consistent with the restructuring of the budget by eligibility type.

The request contains the funding for this area within the main capitation line item, discussed above.

Staff's recommendation in the main capitation line item assumes the consolidation of this funding.

Other Medicaid Mental Health Payments

This section of the Mental Health budget, reorganized in the FY 2003-04 supplemental, is designed to reflect the Medicaid mental health program expenditures that are not within the capitation program (in the previous section). As noted earlier, the majority of the services in the Medicaid mental health program are delivered through the statewide managed care program (capitation). This section also includes line items that are shown for "informational purposes only." Such lines include Anti-Psychotic Pharmaceuticals which are now (again) being managed by the Department of Health Care Policy and Financing in its Medical Services Premiums section, shown here for informational purposes since the costs are associated with the mentally ill Medicaid eligible clients.

<u>Medicaid Mental Health Fee for Service Payments</u>
Mental Health Centers are not the only providers who can bill fee-for-service for clients not in the capitation program. Many providers, including hospitals, psychiatrists, psychologists, etc. bill fee-for-service for mental health services to clients not in the capitation program. Basically, these clients are

free to go to any qualified Medicaid-enrolled provider for their mental health services. Outpatient providers are reimbursed through fee-for-service if either the diagnosis or the procedure is not in the capitation program. The BHO rates do not include these costs. For example, if the diagnosis is included in the program (e.g., depression) but the procedure code is not included (e.g., physician office visit), the provider will be reimbursed by fee-for-service. This allows people to get some mental health services from their PCPs.

Another example would be when the diagnosis is not included in the program (e.g., brain injury) but the procedure is included (e.g. psychotherapy). These services are also paid by fee-for-service. This allows providers to use traditional mental health services to treat other diagnoses, without going through the BHO. Fee-for-service does pay for both non-mental health services for mental health diagnoses, and for mental health services for non-mental health diagnoses. If the diagnosis is included in the capitation program, the claims should be denied because it is the BHO's responsibility. If the diagnosis is NOT included in the capitation program, the claim should be paid (or referred to the HMO if the client has an HMO). This line item funds the following fee-for-service component of the Medicaid mental health program: (1) services provided by non-mental health center providers for Medicaid clients with mental health diagnoses; (2) services provided by mental health centers for clients not covered under mental health capitation; and (3) Home and Community Based Services (HCBS-MI) Case Management.

The FY 2005-06 request is for $1,186,101 ($592,051 General Fund) for the fee-for-service line item. The request includes Decision Item #12. Decision Item #12 seeks authority to transfer $1,780,300 total funds (including $890,150 General Fund and $890,150 federal funds) from the Medicaid Mental Health Community Programs Fee for Service Payments line item to Medical Services Premiums. This request for FY 2005-06 follows a FY 2004-05 supplemental request of the same which was approved by the JBC.

Included in the Mental Health Fee-for-Service line item is this $1.8 million which represents case management funding for the Home and Community Based Services program. Funding for case management used to be paid to mental health centers, but this was changed to Single Entry Points. All of the case management costs currently are paid in Medical Services Premiums (the core Medicaid line items) and these are paid to the Single Entry Points (SEPs). Prior to FY 2001-02, the Department of Human Services administered the Home and Community Based Services for the Mentally Ill program. On December 26, 2002, with the agreement of both departments, the Department of Human Services notified HCPF that it would no longer be responsible for the program. Beginning July 1, 2003, HCPF began to contract with SEPs for these services. The

Department of Health Care Policy and Financing wrote the JBC a letter expressing its intent to change the management of services in the manner that they are currently requested. As such, it is wholly consistent with prior understandings and assumptions of funding changes.

The Department cites the following benefits from the funding/management change:

- The change is cost neutral;
- The change consolidates funding in a consistent manner department-wide; and
- The change makes tracking expenditures more complete and accurate (and transparent).

Staff recommends the requested transfer of the $1.8 million from mental health fee-for-service to Medical Services Premiums. The request consolidates the funding for Case Management for Single Entry Points in Medical Services Premiums and funds all the case management consistently.

Staff recommends $1,209,823 ($604,912 General Fund), a variance of $23,722 from the request. The variance is solely attributable to the application of a 2.0 percent community provider rate increase to this line item, pursuant to Committee policy.

Fee-for-Service	Recommendation FY 2005-06
Base November 1 Request	2,803,073
DD Waiver State Plan Increase	163,328
Subtotal	2,966,401
Decision Item #12 Case Management Transfer	(1,780,300)
Subtotal	1,186,101
JBC Community Provider 2.0%	23,722
Total FY 2005-06 Recommendation	1,209,823

Other Medicaid Mental Health Payments

Medicaid Mental Health Child Placement Agency Program

Last year, the JBC approved the addition of a new line item, for informational purposes, to reflect the collaborations between some counties and some Medicaid mental health providers to provide mental health services for children placed through Child Placement Agencies. Based on county/BHO agreements, some General Fund block grant moneys are used to draw down federal Medicaid funding. Participating BHOs use these moneys to provide mental health services to children placed through child placement agencies. Since FY 2002-03, the Long Bill has included a cash funds exempt

figure that reflects the amount of funds likely to be expended through this program. *This figure has no net General Fund impact*, as all General Funds are provided through a transfer from the Child Welfare appropriation.

The Department's FY 2005-06 request eliminates this line item.

As the JBC has discussed numerous times since its special meeting with DHS and HCPF on December 2nd, the federal Centers for Medicare and Medicaid Services (CMS) sent a letter to the State on November 19, 2004, directing the Department of Health Care Policy and Financing to immediately halt its $6.5 million in Medicaid payments to Behavioral Health Organizations that are providing mental health services to children and adolescents who have been placed into foster care through Child Placement Agencies (CPAs), and pursuant to that letter, providers that were given only one day's notice on November 30th by the Colorado Department of Health Care Policy and Financing to cease services to needy children with mental illness.

Given this situation, the status of Medicaid funding for both the current year and FY 2005-06 is still pending. Staff asked the Department of Health Care Policy and Financing to provide an update on the CPA situation. The Department's response is copied below:

> As you know, CMS instructed the State to stop making payments for these services as soon as possible, which the Department did on December 1. The Department is not appealing the CMS decision to cease payments, but is rather working with the BHOs, CPAs, Counties, and DHS to try and determine a solution to CMS's concerns. At this time, the workgroup believes that the best way to gain CMS approval is to incorporate these services into the current rates. Currently, data is being gathered to determine past utilization, caseload, and services to determine what type of impact this would have on the rates. Once the Department has come up with a solution and has CMS approval, the Department would need to work with an actuary to make it happen. This could potentially be completed in FY 05-06, depending on the approval process with CMS. [HCPF March 2, 2005]

Funding for CPAs is clearly not certain for FY 2005-06. Nonetheless, for FY 2005-06, staff recommends $6,149,084 cash funds exempt (transfer from the Department of Human Services, Child Welfare) be reflected in the Long Bill *for informational purposes*. This figure represents the JBC's vote in the Child Welfare figure setting for FY 2005-06; should this figure change in the Child Welfare area, staff will make a commensurate adjustment to this line as well.

Medicaid Anti-Psychotic Pharmaceuticals

This line item represents funding associated with anti-psychotic medications. Actual expenditures are based on Medicaid fee-for-service expenditures in the Medical Services Premiums portion of the Department of Health Care Policy and Financing budget. This line item is simply a "double-count" of the anti-psychotic expenditures which are already estimated and will be appropriated in the Medicaid Premiums section of the Department's budget. It is shown also in this area for informational purposes to show the General Assembly (and interested parties) the total mental health Medicaid dollars paid on behalf of the program.

The Department's FY 2005-06 request eliminates this line item.

In the last five years, the Medicaid anti-psychotic spending has grown 238 percent, from $14.9 million in FY 2000-01 to $50.6 million total funds projected for FY 2005-06. The FY 2005-06 estimate of $50.6 million is $9.3 million more than the FY 2004-05 new estimate. However, this FY 2005-06 estimate is $16.1 million more than the FY 2004-05 appropriated amount -- a difference of 46.7 percent. Half of the funding is from the General Fund appropriated in Medicaid Medical Services Premiums (a separate division within the Department of Health Care Policy and Financing).

The Medicaid mental health caseload has grown by 158,804 clients since FY 2000-01, or 62.3 percent. The cost per eligible has increased by over 100 percent since FY 2000-01 yet the type of pharmaceuticals is relatively unchanged. As such, it appears that it is utilization levels rather than types of drugs that is driving recent increases.

The Department indicates an interest and intent to ultimately wrap anti-psychotic pharmaceuticals into the capitation contract. Given the enormous changes anticipated from the Medicare drug bill, the Department appropriately does not recommend collapsing these costs into the capitation payment until after implementation. Staff concurs with this assessment and with the Department's caution in making radical changes in this important service. However, staff is concerned that, without other changes, the cost of the Medicaid anti-psychotic pharmaceutical growth until then will be enormous for the State. Because this sum represents funding in the mental health system and because ultimately there are plans to wrap the management for these drugs into the mental health capitation contract, staff recommends that the JBC not approve the Department's request to eliminate the reflection of the expenditure for informational purposes and that the estimate of the anti-psychotic pharmaceutical expenditure be maintained in the Mental Health Community Programs budget.

Staff recommends $50,634,821 cash funds exempt (reflection of funding expended for Anti-psychotic pharmaceuticals in Medicaid Medical Services Premiums, also within HCPF). This figure is pending the JBC's figure setting for Medical Services Premiums "Medicaid". This figure will simply reflect the amount expended in Medicaid Premiums for Anti-psychotic pharmaceuticals *for informational purposes*. This figure will ultimately reflect the JBC's vote in the Medicaid Medical Services Premiums figure setting for FY 2005-06; should this figure change in the Medicaid Medical Services Premiums area, staff will make a commensurate adjustment to this line as well. Should the JBC determine a different figure in Medicaid Premiums, staff will adjust this CFE informational figure accordingly.

FY 2005-06 Footnote Recommendation(s)

Staff recommends that the one FY 2004-05 Long Bill footnote for the Department of Health Care Policy and Financing be discontinued in FY 2005-06:

39b Department of Health Care Policy and Financing, Medicaid Mental Health Community Programs, Mental Health Programs, Medicaid Mental Health Capitation -- It is the intent of the General Assembly that expenditures for these services should be recorded only against the Long Bill group total for Medicaid Mental Health Capitation.

Comment: This footnote reflects the appropriation methodology utilized for Medicaid Mental Health. Although the line items are expressly noted for purposes of tracking and policy making, the lines essentially operate with the flexibility of one line item. This footnote expresses that legislative intent, while maintaining the line item appropriation format for clarity and transparency of the Medicaid mental health budget. It is patterned after the footnote in the Department's Medical Services Premiums division.

Glossary of Medicaid Mental Health Jargon Used in this Briefing Packet

Anti-psychotic Pharmaceuticals	Commonly known as biologically based mental illness drugs. These drugs typically treat psychoses, such as schizophrenia. These include two classes of drugs: typicals and atypicals.
BBA	Balanced Budget Act. The August 13, 2003, BBA rules was particularly notable with respect to Medicaid mental health managed care.
BHO	Behavioral Health Organization. Previously referred to as a MHASA. In the new RFP there are five BHOs.
Capitation	Managed care for which the behavioral health organization is paid a rate based on all the estimated eligibles within a geographic region and bears the risk for said services and costs.
COLA	Cost-of-living adjustment. A type of rate increase.
CMS	Centers for Medicare and Medicaid Services. Federal administering entity. Previously was the Health Care Financing Administration (HCFA).
Eligibles/Caseload	Number of Medicaid clients who have a Medicaid Authorization (MAC Card) in the system. This determination becomes the basis for the payments to the MHASAs/BHOs of rates x caseload = appropriation.
IMD	Institution for Mental Disease. This is a federal law that prohibits federal funding for clients ages 22-64 who are served in an institution of over 16 beds that is primarily for mental illness.
MHASA	Mental Health Assessment and Service Agency. This is the managed care organization for Medicaid mental health. Now referred to as a Behavioral Health Organization (BHO). In the current program, there are eight (8) MHASAs.
Rates	Payment made on a per member per month basis to each MHASA.
RFP	Request for Proposal

Appendix: Summary of H.B. 04-1265

Section 26-4-123, C.R.S. had provided for a "cooperative" role between the Department of Health Care Policy and Financing and the Department of Human Services in managing Medicaid mental health managed care/capitation. State department governance changes in 2003 over the Medicaid community portion of the mental health program exacerbated the already fragmented mental health system. These governance changes created confusion amongst providers and clients as to which state department was the "lead" Medicaid agency for mental health community funding. Following the budget reductions of FY 2002-03 and FY 2003-04, the MHASAs sought assistance from the Department of Health Care Policy and Financing on having the Medical Services Board approve changes to the capitation contract so that the reductions could be readily implemented. Given the language in the statutes, prior to H.B. 04-1265 it was not clear which department is primarily authorized to run the program; the prior statute was sufficiently vague. House Bill 04-1265 sought to clarify the responsibilities of the two departments with respect to this program.

The Joint Budget Committee sponsored H.B. 04-1265 to transfer the Medicaid mental health program administration to the Department of Health Care Policy and Financing. These programs included the managed care program known as capitation and the fee-for-service Medicaid program. The Goebel lawsuit settlement program and funding, funding for the medically indigent, and mental health institutes remains with the Department of Human Services.

FY 2003-04 Fiscal Impact

House Bill 04-1265 adjusted the FY 2003-04 Long Bill appropriation in the following manner: (1) increased the appropriation to the Department of Health Care Policy and Financing, Executive Director's Office, by $259,274 (including $112,415 General Fund and $146,859 federal funds) and 2.3 FTE; decreased the appropriation to the Department of Health Care Policy and Financing, Department of Human Services Medicaid-funded Programs by $259,274 (including $112,415 General Fund and $146,859 federal funds); and (3) decreased the appropriation to the Department of Human Services, Mental Health and Alcohol and Drug Abuse Services, Administration by $259,274 Medicaid cash funds exempt and 2.3 FTE.

FY 2004-05 Fiscal Impact

For FY 2004-05, the associated administrative and programmatic appropriations changes were incorporated in the 2004 Long Bill (H.B. 04-1422). This included a transfer of $1,072,754 total funds and 9.0 FTE for administration; a transfer of $190,534,208 in Medicaid mental health community appropriations from DHS to The Department of Health Care Policy and Financing, and the elimination of the "double-count" of $149,639,812 in The Department of Health Care Policy and Financing. The latter was moneys that were appropriated initially in The Department of Health Care Policy and Financing and then transferred over to DHS. By transferring the program dollars to The Department of Health Care Policy and Financing, those moneys are not transferred to DHS and are hence not double-counted. [*Please note, the transfer occurred in the FY 2004-05 Long Bill*.]

Overview of February 15th Budget Submission Mental Health Budget - REQUEST

	FY 2004-05 Appropriation		FY 2004-05 Estimate		FY 2004-05 Change		FY 2005-06 Request		FY 2005-06 Change	
Population	Member Months		Member Months a/		Member Months		Member Months		Member Months	
Elderly	414,113		427,961		13,848		N/A See Caseload Below		N/A See Caseload Below	
Disabled	631,085		673,788		42,703		N/A See Caseload Below		N/A See Caseload Below	
Adults	687,317		774,560		87,243		N/A See Caseload Below		N/A See Caseload Below	
Children	2,590,806		2,794,442		203,636		N/A See Caseload Below		N/A See Caseload Below	
Foster Care Children	190,772		189,979		(793)		N/A See Caseload Below		N/A See Caseload Below	
Breast & Cervical Cancer	852		1,665		813		N/A See Caseload Below		N/A See Caseload Below	
Subtotal	4,514,945		4,862,395		347,450		N/A See Caseload Below		N/A See Caseload Below	
	Annual Caseload	Amount	Annual Caseload	Amount	Annual Caseload	Amount	Annual Caseload	Amount	Annual Caseload	Amount
Elderly	34,509	4,955,012	35,663	5,104,145	1,154	149,133	34,997	5,275,276	(666)	171,131
Disabled	52,590	43,769,205	56,149	47,235,316	3,559	3,466,111	54,281	48,636,255	(1,868)	1,400,939
Adults	57,276	7,975,838	64,547	9,019,226	7,270	1,043,388	66,669	10,100,656	2,122	1,081,430
Children	215,901	30,844,466	232,870	32,817,808	16,970	1,973,342	235,124	34,786,891	2,254	1,969,083
Foster Care Children	15,898	55,026,483	15,832	55,208,480	(66)	181,997	16,384	59,836,950	552	4,628,470
Breast & Cervical Cancer	71	71,175	139	17,427	68	(53,748)	216	21,950	77	4,523
Subtotal	376,245	142,642,179	405,200	149,402,402	28,954	6,760,223	407,671	158,657,978	2,471	9,255,576
Institute Rate Add-on		3,097,499		3,097,499		0		Included Above		(3,097,499)
Subtotal Capitation		145,739,678		152,499,901		6,760,223		158,657,978		6,158,077
Other Add-ons in the Capitation Line Item										
Maintain Institute Add-on and Altern to Instit.										
FY 02-03 Recoupment for Ineligibles		0		(3,131,775)		(3,131,775)		0		3,131,775
FY 02-03 Institute Alternatives Disallowance		0		(474,546)		(474,546)		0		474,546
FY 03-04 Recoupment for Ineligibles *Estimate*		0		0		0		(2,250,000)		(2,250,000)
Subtotal Capitation		**145,739,678**		**148,893,580**		**3,153,902**		**156,407,978**		**7,514,398**
Add-ons Outside of the Capitation Line Item										
Institute Alternatives		Included Above		Included Above		Included Above		Included Above		Included Above
Total Capitation		**145,739,678**		**148,893,580**		**3,153,902**		**156,407,978**		**7,514,398**
						2.2%				5.0%
FY 2003-04 Overexpenditure		0		905,230		905,230		0		(905,230)
Total Capitation		**145,739,678**		**149,798,810**		**4,059,132**		**156,407,978**		**6,609,168**
						2.8%				**4.4%**

Overview of February 15th Budget Submission Mental Health Budget - REQUEST

	FY 2004-05 Appropriation	FY 2004-05 Estimate	FY 2004-05 Change	FY 2005-06 Request	FY 2005-06 Change
Other Medicaid Mental Health Payments					
Fee-for-Service	1,169,576	1,654,492 b/	484,916	1,186,101	(468,391)
Child Placement Agency	7,440,901	2,436,950	(5,003,951)	0	(2,436,950)
Anti-psychotic Pharmaceuticals	34,526,249	41,317,802	6,791,553	0	9,317,019
SUBTOTAL OTHER	43,136,726	45,409,244	2,272,518	1,186,101	(44,223,143)
Total Mental Health Community	188,876,404	195,208,054	6,331,650	157,594,079	(37,613,975)

a/ Reflects a different treatment of the annual caseload - it takes half a year actuals and projects the second half year. This is a transition year to conform the MH Medicaid caseload to the total Medicaid Premiums caseload. As such it will not fully reconcile to the estimated caseload in FY 2004-05 only.

b/ This figure reflects an increase of $484,916, including $432,919 associated with a FY 2003-04 overexpenditure.

Overview of February 15th Mental Health Budget - RECOMMENDATION

	FY 2004-05 Appropriation		FY 2004-05 Estimate		FY 2004-05 Change		FY 2005-06 Recommend.		FY 2005-06 Change	
Population	Member Months		Member Months a/		Member Months		Member Months		Member Months	
Elderly	414,113		427,961		13,848		N/A See Caseload Below		N/A See Caseload Below	
Disabled	631,085		673,788		42,703		N/A See Caseload Below		N/A See Caseload Below	
Adults	687,317		774,560		87,243		N/A See Caseload Below		N/A See Caseload Below	
Children	2,590,806		2,794,442		203,636		N/A See Caseload Below		N/A See Caseload Below	
Foster Care Children	190,772		189,979		(793)		N/A See Caseload Below		N/A See Caseload Below	
Breast & Cervical Cancer	852		1,665		813		N/A See Caseload Below		N/A See Caseload Below	
Subtotal	4,514,945		4,862,395		347,450		N/A See Caseload Below		N/A See Caseload Below	
	Annual Caseload	Amount	Annual Caseload	Amount	Annual Caseload	Amount	Annual Caseload	Amount	Annual Caseload	Amount
Elderly	34,509	4,955,012	35,663	5,104,145	1,154	149,133	35,132	5,401,714	(531)	297,569
Disabled	52,590	43,769,205	56,149	47,235,316	3,559	3,466,111	54,616	49,915,212	(1,533)	2,679,896
Adults	57,276	7,975,838	64,547	9,019,226	7,270	1,043,388	66,884	10,335,585	2,337	1,316,359
Children	215,901	30,844,466	232,870	32,817,808	16,970	1,973,342	236,841	35,741,438	3,971	2,923,630
Foster Care Children	15,898	55,026,483	15,832	55,208,480	(66)	181,997	16,303	60,731,988	471	5,523,508
Breast & Cervical Cancer	71	71,175	139	17,427	68	(53,748)	219	22,700	80	5,273
Subtotal	376,245	142,642,179	405,200	149,402,402	28,954	6,760,223	409,995	162,148,636	4,795	12,746,234
Institute Rate Add-on		3,097,499		1,130,950		(1,966,549)		Included Above		(1,130,950)
Subtotal Capitation		145,739,678		150,533,352		4,793,674		162,148,636		11,615,284
Other Add-ons in the Capitation Line Item										
FY 02-03 Recoupment for Ineligibles		0		0		0		0		0
FY 02-03 Recoupment Budget Correction				0		0		0		0
FY 02-03 Institute Alternatives Disallowance		0		(474,546)		(474,546)		0		474,546
FY 03-04 Recoupment for Ineligibles *Estimate*		0		0		0		881,775		881,775
Subtotal Capitation		**145,739,678**		**150,058,806**		**4,319,128**		**163,030,411**		**12,971,605**
Add-ons Outside of the Capitation Line Item										
Institute Alternatives		Included Above		Included Above		Included Above		Included Above		Included Above
Total Capitation		**145,739,678**		**150,058,806**		**4,319,128**		**163,030,411**		**12,971,605**
						3.0%				8.6%
FY 2003-04 Overexpenditure				Included Separately c/						
Total Capitation		**145,739,678**		**150,058,806**		**4,319,128**		**163,030,411**		**12,971,605**
						3.0%				**8.6%**

Overview of February 15th Mental Health Budget - RECOMMENDATION

	FY 2004-05 Appropriation	FY 2004-05 Estimate	FY 2004-05 Change	FY 2005-06 Recommend.	FY 2005-06 Change
Other Medicaid Mental Health Payments					
Fee-for-Service	1,169,576	1,221,573 b/	51,997	1,209,823	(11,750)
Child Placement Agency	7,440,901	6,536,909	(903,992)	6,149,084	(387,825)
Anti-psychotic Pharmaceuticals	34,526,249	41,317,802	6,791,553	50,634,821	9,317,019
SUBTOTAL OTHER	43,136,726	49,076,284	5,939,558	57,993,728	8,917,444
Total Mental Health Community	188,876,404	199,135,090	10,258,686	221,024,139	21,889,049

a/ Reflects a different treatment of the annual caseload - it takes half a year actuals and projects the second half year. This is a transition year to conform the MH Medicaid caseload to the total Medicaid Premiums caseload. As such it will not fully reconcile to the estimated caseload in FY 2004-05 only.

b/ Instead of building the $432,919 into the FY 2004-05 base, staff recommends that this be appropriated as a FY 2003-04 overexpenditure

c/ Instead of building the $905,230 into the FY 2004-05 base, staff recommends that this be appropriated as a FY 2003-04 overexpenditure

HCPF Community Changes by Financing Area	Total	GF	CFE	FF
Capitation				
Capitation Base Payments	140,624,800	70,312,400	0	70,312,400
Cervical Cancer MH	71,175	0	24,911	46,264
MHI Rate Refinance Add-on	3,097,499	1,548,750	0	1,548,749
Institute Alternative: Pueblo	852,311	426,155	0	426,156
Institute Alternative: Fort Logan	783,191	391,595	0	391,596
Institute Alternative: Fort Logan Aftercare	310,702	155,351	0	155,351
Total FY 2004-05 Appropriation	145,739,678	72,834,251	24,911	72,880,516
Recommended Supplemental Changes:				
Caseload/Actuarial Rate/Other	7,979,197	3,989,598	0	3,989,599
Adjustment to Cervical Cancer	(53,748)	0	(18,812)	(34,936)
Correction of FY 2002-03 Recoupment	(3,131,775)	(1,565,888)	0	(1,565,887)
Correction of FY 2002-03 Recoupment	0	0	0	0
Less FY 2002-03 Altern. To Institutionalization	(474,546)	(237,273)	0	(237,273)
Subtotal	4,319,128	2,186,437	(18,812)	2,151,503
FY 2004-05 Recommendation	150,058,806	75,020,688	6,099	75,032,019
Increase over FY 2004-05 Appropriation	4,319,128	2,186,437	(18,812)	2,151,503
Percent Increase over Appropriation	3.0%	3.0%	-75.5%	3.0%
Comparison to Request FY 2004-05				
Capitation Request	4,059,132	2,056,440	(18,812)	2,021,504
Staff Recommendation	4,319,128	2,186,437	(18,812)	2,151,503
Difference: Recommendation to Request	*259,996*	*129,997*	*0*	*129,999*
Component 1: Correction of Double-count (FY 2002-03 Recoupment)	*(3,131,775)*	*(1,565,888)*	*0*	*(1,565,888)*
Component 2: Separation out of FY 2003-04 Overage	*905,230*	*452,615*	*0*	*452,615*
Component 3: Correction of Double-count (MHI Rate Add-on)	*1,966,549*	*983,275*		*983,275*
Check	*0*	*(1)*	*0*	*1*

HCPF Community Changes by Financing Area	Total	GF	CFE	FF
FY 2004-05 Base Recommendation	150,058,806	75,020,688	6,099	75,032,019
FY 2005-06 Base Recommendation	163,030,411	81,507,828	3,972	81,518,611
Portion that is Breast & C Cancer/Financing	22,700	3,972	3,972	14,755
Regular Medicaid Portion	163,007,711	81,503,856	0	81,503,856
Increase of FY 2005-06 Over FY 2004-05	12,971,605	6,487,140	(2,127)	6,486,592
Components of Change				
FY 2003-04 Estimate Recoupment - Adjustment	881,775	440,888	0	440,887
Caseload	6,469,350	3,233,106	845	3,235,399
Correction for MHI Institute Add-on	1,966,549	983,275	0	983,274
2.0% COLA Total	3,179,385	1,589,548	78	1,589,759
Eliminate Decrease of FY 2002-03 Disallowance	474,546	237,273	0	237,273
Refinancing of Breast/C. Cancer (26-4-532 CRS)	0	3,050	(3,050)	0
Subtotal	12,971,605	6,487,140	(2,127)	6,486,592

HCPF Supplemental Request FY 2004-05

Line	Total	General Fund	CFE	Federal Funds
Base Appropriation				
Base Capitation line	140,624,800	70,312,400	0	70,312,400
Breast/Cervical Cancer	71,175	0	24,911	46,264
MH Institute Rate Refinance Add-on	3,097,499	1,548,750	0	1,548,749
Alternatives to MHI - Pueblo	852,311	426,155	0	426,156
Alternatives to MHI - Ft. Logan	783,190	391,595	0	391,595
Alternatives to MHI - Fort Logan Aftercar	310,702	155,351	0	155,351
Fee-for-Service	2,827,380	1,413,690	0	1,413,690
CPA Program	7,440,901	0	7,440,901	0
Anti-psychotic Pharmaceuticals	34,526,249	0	34,526,249	0
Total	190,534,207	74,247,941	41,992,061	74,294,205
FY 2004-05 Supplemental				
Base Capitation line	4,112,880	2,056,440	0	2,056,440
Breast/Cervical Cancer	(53,748)	0	(18,812)	(34,936)
MH Institute Rate Refinance Add-on	0	0	0	0
Alternatives to MHI - Pueblo	0	0	0	0
Alternatives to MHI - Ft. Logan	0	0	0	0
Alternatives to MHI - Fort Logan Aftercar	0	0	0	0
Fee-for-Service	484,916	242,458	0	242,458
CPA Program	(5,003,951)	0	(5,003,951)	0
Anti-psychotic Pharmaceuticals	6,791,553	0	6,791,553	0
Total	6,331,650	2,298,898	1,768,790	2,263,962
FY 2004-05 With Supplemental				
Base Capitation line	144,737,680	72,368,840	0	72,368,840
Breast/Cervical Cancer	17,427	0	6,099	11,328
MH Institute Rate Refinance Add-on	3,097,499	1,548,750	0	1,548,749
Alternatives to MHI - Pueblo	852,311	426,155	0	426,156
Alternatives to MHI - Ft. Logan	783,190	391,595	0	391,595
Alternatives to MHI - Fort Logan Aftercar	310,702	155,351	0	155,351
Fee-for-Service	3,312,296	1,656,148	0	1,656,148
CPA Program	2,436,950	0	2,436,950	0
Anti-psychotic Pharmaceuticals	41,317,802	0	41,317,802	0
Total	196,865,857	76,546,839	43,760,851	76,558,167

FY 2004-05 Recommendation

Line	Total	General Fund	CFE	Federal Funds
Base Appropriation				
Base Capitation line	140,624,800	70,312,400	0	70,312,400
Breast/Cervical Cancer	71,175	0	24,911	46,264
MH Institute Rate Refinance Add-on	3,097,499	1,548,750	0	1,548,749
Alternatives to MHI - Pueblo	852,311	426,155	0	426,156
Alternatives to MHI - Ft. Logan	783,190	391,595	0	391,595
Alternatives to MHI - Fort Logan Aftercare	310,702	155,351	0	155,351
Fee-for-Service	1,169,576	584,788	0	584,788
CPA Program	7,440,901	0	7,440,901	0
Anti-psychotic Pharmaceuticals	34,526,249	0	34,526,249	0
Total	188,876,403	73,419,039	41,992,061	73,465,303
FY 2004-05 Supplemental				
Base Capitation line	6,339,425	3,169,712	0	3,169,713
Breast/Cervical Cancer	(53,748)	0	(18,812)	(34,936)
MH Institute Rate Refinance Add-on	(1,966,549)	(983,275)	0	(983,274)
Alternatives to MHI - Pueblo	0	0	0	0
Alternatives to MHI - Ft. Logan	0	0	0	0
Alternatives to MHI - Fort Logan Aftercare	0	0	0	0
Fee-for-Service	51,997	25,999	0	25,998
CPA Program	(903,992)	0	(903,992)	0
Anti-psychotic Pharmaceuticals	6,791,553	0	6,791,553	0
Total	10,258,686	2,212,436	5,868,749	2,177,501
FY 2004-05 With Supplemental				
Base Capitation line	146,964,225	73,482,112	0	73,482,113
Breast/Cervical Cancer	17,427	0	6,099	11,328
MH Institute Rate Refinance Add-on	1,130,950	565,475	0	565,475
Alternatives to MHI - Pueblo	852,311	426,155	0	426,156
Alternatives to MHI - Ft. Logan	783,190	391,595	0	391,595
Alternatives to MHI - Fort Logan Aftercare	310,702	155,351	0	155,351
Fee-for-Service	1,221,573	610,787	0	610,786
CPA Program	6,536,909	0	6,536,909	0
Anti-psychotic Pharmaceuticals	41,317,802	0	41,317,802	0
Total	199,135,089	75,631,475	47,860,810	75,642,804

FY 2005-06 Staff Recommendation with COLA

	JBC Staff Est. Caseload 2/23/05	FY 2005-06 Base Rate	2.0% JBC COLA:	FY 2005-06 Rate w/2% COLA	FY 2005-06 Dollars Base W/2%	FY 2005-06 Dollars Base w/o 2%	FY 2005-06 Impact of COLA
Elderly	35,132	150.74	3.01	153.75	5,401,714	5,295,798	105,916
Disabled	54,616	896.01	17.92	913.93	49,915,212	48,936,482	978,730
Adults	66,884	151.50	3.03	154.53	10,335,585	10,132,926	202,659
Children	236,841	147.95	2.96	150.91	35,741,438	35,040,626	700,813
Foster Care Children	16,303	3,652.16	73.04	3,725.20	60,731,988	59,541,164	1,190,823
Breast & Cervical Cancer	219	101.62	2.03	103.65	22,700	22,255	445
	409,995				162,148,636	158,969,251	3,179,385

FY 2005-06 HCPF Caseload

	HCPF Caseload 1/15/05	FY 2005-06 Base Rate	2.0% JBC COLA:	FY 2005-06 Rate w/2% COLA	FY 2005-06 Dollars Base W/2%	FY 2005-06 Dollars Base w/o 2%	FY 2005-06 Impact of COLA
Elderly	34,997	150.74	3.01	153.75	5,380,957	5,275,448	105,509
Disabled	54,281	896.01	17.92	913.93	49,609,045	48,636,319	972,726
Adults	66,669	151.50	3.03	154.53	10,302,361	10,100,354	202,007
Children	235,124	147.95	2.96	150.91	35,482,328	34,786,596	695,732
Foster Care Children	16,384	3,652.16	73.04	3,725.20	61,033,729	59,836,989	1,196,740
Breast & Cervical Cancer	216	101.62	2.03	103.65	22,389	21,950	439
	407,671				161,830,808	158,657,655	3,173,153

FY 2005-06 Difference (Staff Calculations)

	Caseload	FY 2005-06 Base Rate	2.0% JBC COLA:	FY 2005-06 Rate w/2% COLA	FY 2005-06 Dollars Base W/2%	FY 2005-06 Dollars Base w/o 2%	FY 2005-06 Impact of COLA
Elderly	135	150.74	3.01	153.75	20,757	20,350	407
Disabled	335	896.01	17.92	913.93	306,167	300,163	6,003
Adults	215	151.50	3.03	154.53	33,224	32,573	651
Children	1,717	147.95	2.96	150.91	259,111	254,030	5,081
Foster Care Children	(81)	3,652.16	73.04	3,725.20	(301,741)	(295,825)	(5,916)
Breast & Cervical Cancer	3	101.62	2.03	103.65	311	305	6
	2,324				317,828	311,596	6,232

Impact of COLA	3,179,385
Impact of Caseload	311,596
Total Diff to Request	3,490,981

Line	Total	General Fund	CFE	Federal Funds
HCPF FY 2005-06 Request				
Base Capitation line	156,407,978	78,196,855	3,841	78,207,282
Breast/Cervical Cancer	Consolidated Above in Base Capitation			
MH Institute Rate Refinance Add-on	Consolidated Above in Base Capitation			
Alternatives to MHI - Pueblo	Consolidated Above in Base Capitation			
Alternatives to MHI - Ft. Logan	Consolidated Above in Base Capitation			
Alternatives to MHI - Fort Logan Afterca	Consolidated Above in Base Capitation			
Fee-for-Service	1,186,101	593,051	0	593,050
CPA Program	0	0	0	0
Anti-psychotic Pharmaceuticals	0	0	0	0
Total FY 2005-06 Request	157,594,079	78,789,906	3,841	78,800,332
FY 2005-06 Staff Recommendation				
Base Capitation line	163,030,411	81,507,828	3,972	81,518,611
Breast/Cervical Cancer	Consolidated Above in Base Capitation			
MH Institute Rate Refinance Add-on	Consolidated Above in Base Capitation			
Alternatives to MHI - Pueblo	Consolidated Above in Base Capitation			
Alternatives to MHI - Ft. Logan	Consolidated Above in Base Capitation			
Alternatives to MHI - Fort Logan Afterca	Consolidated Above in Base Capitation			
Fee-for-Service	1,209,823	604,912	0	604,911
CPA Program	6,149,084	0	6,149,084	0
Anti-psychotic Pharmaceuticals	50,634,821	0	50,634,821	0
Total FY 2005-06 Recommendation	221,024,139	82,112,740	56,787,877	82,123,522
Staff Recommendation:				
Difference to Request	63,430,060	3,322,834	56,784,036	3,323,190
Explanation for Difference:				
Anti-psychotic Pharmaceuticals	50,634,821	0	50,634,821	0
CPA Program	6,149,084	0	6,149,084	0
Base Capitation line	6,622,433	3,310,973	131	3,311,329
COLA for Fee-for-Service	23,722	11,861	0	11,861
Total Difference to Request	63,430,060	3,322,834	56,784,036	3,323,190
Explanation for Capitation Variance From Request				
Total Variance	6,622,433	3,310,973	131	3,311,329
2.0% Community Provider Rate	3,179,385	1,589,548	78	1,589,759
Medicaid Caseload Difference	311,273	155,537	54	155,682
Correct FY 2005-06 Base Assumpt	3,131,775	1,565,888	0	1,565,887

STATE OF COLORADO

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JOINT BUDGET COMMITTEE
200 East 14th Avenue, 3rd Floor
LEGISLATIVE SERVICES BUILDING
Denver, CO 80203
Telephone 303-866-2061

January 13, 2005

Karen Reinertson
Executive Director
Colorado Department of Health Care Policy and Financing
1570 Grant Street
Denver, CO 80203

Dear Ms. Reinertson,

Thank you for your testimony in your FY 2005-06 Medicaid mental health community programs hearing before the JBC on December 9, 2004. This mental health hearing covered a number of topics including changes to the legislative appropriation embodied in the new request for proposal and contract, consolidation of line items assumed, new rates established by the actuary, and a range of disallowances and associated potential reductions in the Medicaid Mental Health Community Programs. In addition, one of the issues that the Joint Budget Committee and the Department discussed was the TABOR impact created when the Behavioral Health Organizations (BHOs) purchase beds from one of the State's mental health institutes.

The purpose of this letter is to request that the Department administer the Behavioral Health Organizations funding in such a manner as to eliminate any potential TABOR impact resulting from the purchase of a mental health institute bed. The Legislative Council Staff economic December 2004 forecast estimates that cash fund revenue has increased in FY 2004-05 by $68.3 million, causing an increase in the TABOR surplus of this amount. Your hearing responses project that the Behavioral Health Organizations will purchase $8.8 million in services from the mental health institutes in FY 2005-06 ($3.4 million year to date). Any dollar impact associated with a bed purchase at the mental health institutes would further add to the State's TABOR surplus, and correspondingly causes the need for further General Fund reductions. As a result, the Department is requested to take administrative action to create a work-around and pay the mental health institutes directly to eliminate this TABOR and associated General Fund impact.

We appreciate your prompt attention to this matter.

Sincerely,

Senator Abel Tapia
Chairman

cc: Mr. Henry Sobanet, Office of State Planning and Budgeting
Ms. Lisa Esgar, Department of Health Care Policy and Financing

Anti-psychotic Pharmaceutical Growth

	FY 95-96	FY 96-97	FY 97-98	FY 98-99	FY 99-00	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06
Pharmaceutical Costs	5,429,741	7,160,363	10,338,539	10,821,115	13,390,614	14,964,575	19,641,077	23,290,709	32,711,522	41,317,802	50,634,821
Growth		1,730,622	3,178,176	482,576	2,569,499	1,573,961	4,676,502	3,649,632	9,420,813	8,606,280	9,317,019
Percent Growth		31.9%	44.4%	4.7%	23.7%	11.8%	31.3%	18.6%	40.4%	26.3%	22.5%
Eligibles	246,046	241,172	229,002	231,494	236,592	254,791	282,957	356,962	369,472	405,200	409,995
Growth		(4,874)	(12,170)	2,492	5,098	18,199	28,166	74,005	12,510	35,728	4,795
Percent Growth		-2.0%	-5.0%	1.1%	2.2%	7.7%	11.1%	26.2%	3.5%	9.7%	1.2%
Cost per Eligible 1/								$65.25	$88.54	$101.97	$123.50
Cost Per Eligible Growth									$23.29	$13.43	$21.53
Cost Per Eligible Percent Growth									**35.7%**	**15.2%**	**21.1%**

Growth in the Past 5 Years:	
Dollar Growth since FY 2000-01	**35,670,246**
% Dollar Growth since FY 2000-01	**238.4%**
Caseload Growth since FY 2000-01	**155,204**
% Caseload Growth since FY 2000-01	**60.9%**
Cost per Eligible Growth since FY 2000-01	**110.3%**

Top Anti-psychotic Drugs	17,935,322	23,278,729	28,268,380	40,582,685
Approx. Percent After Rebate	82.0%	82.0%	82.0%	82.0%
Top Ten Anti-psychotic Drugs After Rebate	14,714,138	19,097,869	23,191,379	32,711,522
Variance of Top ten to Total Expenditures	(250,437)	(543,208)	(99,330)	N/A
Percent of Total Expenditures that are not Top Ten Drugs	-1.7%	-2.8%	-0.4%	N/A
Percent that top 10 represent	98.3%	97.2%	99.6%	Close to 100%

1/ This is calculated on the total Medicaid MH eligibles, not the total per actual consumer of the pharmaceutical. The latter would result in a significantly higher actual number.

Estimated/Appropriated last year:	**29,261,851**	**34,526,249**
Current estimate:	**32,711,522**	**41,317,802**
Difference:	**3,449,671**	**6,791,553**
% Difference in Estimate:	**11.8%**	**19.7%**

Estimate this time last year:	**27,768,124**	**34,774,064**
Current estimate	**32,711,522**	**41,317,802**
Variance from current estimate:	**4,943,398**	**6,543,738**
% Difference/variance	**17.8%**	**18.8%**

M E M O R A N D U M

TO: **Joint Budget Committee**

FROM: **Alexis Senger, Joint Budget Committee Staff (866-4963 - direct line)**

SUBJECT: **Comments about the BHO Requested FY 2004-05 and FY 2005-06 Increase**

DATE: **March 10, 2005**

On Monday, staff was asked by some members of the JBC to respond to the latest Behavioral Health Organization (BHO) proposal for a 2.27 percent rate increase for FY 2004-05 and for FY 2005-06. The proposal seeks to add an additional $3,406,335 total funds (half of which is General Fund) in FY 2004-05 and the same rate and funds in FY 2005-06. Staff's understanding is that the BHO's 2.27 percent rate increase sought for FY 2005-06 is on top of the JBC's common policy for a 2.0 percent community provider rate.

The BHO proposal is calculated to provide an amount of increase equal to the decreases that are captured in the FY 2004-05 supplemental budget submission. However, as the JBC is aware, any COLA increase granted by the JBC has to be separately and independently justifiable to CMS. A COLA cannot be an "undo" to a recoupment. That would be a violation of CMS rules. A COLA can only be an independently justifiable increase irrespective of the anticipated shortfall in the system due to disallowances. Staff will discuss this on the next page.

General Fund Impact

First of note is that the BHO proposal indicates that there is "no additional General Fund cost to the state as compared to amounts currently appropriated" in FY 2004-05. This is a correct and carefully worded statement as it relates back to the current appropriation; however, the statement does not reflect that the *FY 2004-05 funding must increase significantly to pay for the Medicaid caseload increases* for the BHOs. If there were no reductions, recoupments or disallowances in FY 2004-05, an additional $8.5 million total funds ($4.25M General Fund) would be necessary in FY 2004-05[1]. As such, compared to the funding requirement, there is a FY 2004-05 total funds and General Fund impact as compared to the recommendation (or request).

Additionally, it should be noted that the FY 2004-05 disallowances are one-time in nature but COLAs are on-going. As such, the proposals drive a higher out-year impact than is reduced from the BHO budget.

[1] [$7,979,197 + $531,837 actuarial rate adjustment = $8,511,034 total funds, about half of which is General Fund]

Total FY 2005-06 Reduction
Staff concurs with the BHOs that the federal share of the FY 2003-04 rate disallowance is $1,847,909 in FY 2005-06. Just a technical note, this disallowance is not yet "taken" in the FY 2005-06 budget and the figures staff is recommending do not yet reflect its absence.

Structure of Request
In thinking about the BHO proposal on Monday, staff became concerned about its viability given that the new BHO contracts were effective January 1, 2005. In response to this concern, staff inquired about this issue with the Department of Health Care Policy and Financing and then CMS. Specifically, the question is the following:

> "Assuming actuarial soundness is met, can a one-year COLA be given to BHOs for FY 2004-05 given that a new contract was signed on January 1, 2005, and that theoretically the BHOs did not exist on July 1, 2004?"

The Department staff began to research the issue, and talk with the necessary staff. On Tuesday, staff happened to be discussing a separate issue with the federal Centers for Medicare and Medicaid Services (CMS) staff and posed this question while waiting for the Department response. After conferring with the chairman and vice-chairman, JBC staff met with CMS yesterday. Staff is appreciative that CMS and the Department staff were willing and/or able to meet with JBC staff on such short notice. Below are the considerations that JBC staff gleaned from this meeting, some of which the JBC has heard before.

- The CMS stressed four or five times to JBC staff that CMS will pay FFP only on *Medicaid services* to *Medicaid clients*. Since this had nothing to do with the issue in question, staff imagines that there was a concern communicated to CMS that this might be being considered. Staff is not aware of any discussion on this point, however.

According to the general discussion with CMS staff, if a COLA is added[2], it has to meet the following criteria:

- It has to be on-going; it can't be one increase in one year and then go away the next year.
- It has to be justifiable; there has to be a measurable reason for the increase, such as inflation.
- It has to be within the actuarial soundness certified by the actuary.

The January 2005 new contract creates a quandary for CMS were a FY 2004-05 rate increase to be authorized by the JBC. A rate increase cannot be retroactively given to providers who no longer exist. The BHOs were not aware of this when they presented their proposal to the JBC. Were this to be done, it would most likely not be approved by CMS and the federal funds would be disallowed.

[2] For Medicaid services to Medicaid clients. Since this point was stressed by CMS, staff is noting it herein as well, although it is obvious.

Conversely, a rate mid-year that is not continued would most likely not be approved.

The CMS staff indicated that the General Assembly cannot just make policy and decide what the rate of increase should be for BHOs. Instead, that rate increase must be justifiable. The CMS staff suggested that the General Assembly contact the Department of Health Care Policy and Financing to determine what would be an appropriate level of increase for the BHOs. Ultimately, CMS will be interacting with HCPF, not the General Assembly, on the justification for the COLA. [Please note, the Department of Health Care Policy and Financing has requested no COLA for FY 2005-06.]

Staff's recommendation (March 10, FY 2005-06 figure setting) does not include a COLA for FY 2004-05 and in FY 2005-06 reflects the 2.0 percent JBC common policy for community providers. However, for the JBC's information, staff has reflected below a rough estimate of the cost of a COLA increase for FY 2004-05. The figures below for FY 2004-05 are annual figures and it is staff's understanding that a full year COLA would probably not be approved by CMS since it would be for providers who no longer exist as of the January 1, 2005, contract.

As such, if the JBC wanted to provide a 2.0 percent annual COLA for FY 2004-05, that would translate into a 1.0 percent COLA for the whole year since the new contract started on January 1, 2005 (January 2005 - June 2005). In order to ensure that it was not a one-time COLA (for one year only), that 2.0 percent FY 2004-05 COLA annualized would have to be carried forward into FY 2005-06.

The following chart simply shows the annual dollar impact of the respective COLAs. It does not reflect the half year, annualization impact which relates to staff's technical concern.

COLA Capitation Impact - For Information Only		
Full Year COLA	FY 2004-05	FY 2005-06
Base Recommendation w/o COLA	$150,058,806	$158,969,300
1% COLA (Total Funds)	1,500,588	1,589,693
Rough Estimate For Information Only:		
1% COLA (General Fund)	750,294	794,847
2% COLA (General Fund)	1,500,588	1,589,693
3% COLA (General Fund)	2,250,882	2,384,540
4% COLA (General Fund)	3,001,176	3,179,386
5% COLA (General Fund)	3,751,470	3,974,233

The following attempts to show the impact of a partial year increase in FY 2004-05 as annualized in FY 2005-06.

COLA Capitation Impact - For Information Only				
	1.0% in FY 2004-05	2.0% in FY 2004-05	3.0% in FY 2004-05	4.0% in FY 2004-05
FY 2004-05 Total Funds	750,294	1,500,588	2,250,882	3,001,176
FY 2005-06 Total Funds Annualized Cost	1,589,693	3,179,386	4,769,079	6,358,772
Est. General Fund Portion (Only)				
FY 2004-05 General Fund	375,147	750,294	1,125,441	1,500,588
FY 2005-06 General Fund Annualized Cost	794,847	1,589,693	2,384,540	3,179,386

In summary, staff recommends that if the JBC wishes to make an increase in FY 2004-05, that the JBC ask for technical feedback from the Department of Health Care Policy and Financing as to its viability in order to ensure that a future disallowance does not reoccur.

COLORADO GENERAL ASSEMBLY

JOINT BUDGET COMMITTEE

FY 2005-06 FIGURE SETTING
DEPARTMENT OF HUMAN SERVICES
MENTAL HEALTH/ADAD (ONLY)

JBC Working Document - Subject to Change

Staff Recommendation Does Not Represent Committee Decision

Prepared By:

Alexis Senger, JBC Staff

March 10, 2005

For Further Information Contact:

Joint Budget Committee
200 East 14th Avenue, 3rd Floor
Denver, Colorado 80203
Telephone: (303) 866-2061

FY 2005-06 Figure Setting

Staff Figure Setting Recommendations for the Joint Budget Committee:

and Department of Human Services (Mental Health and ADAD)

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FY 2005-06 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES -- Mental Health and ADAD Programs ONLY
Decision Item and Budget Amendment Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
2A	**Mental Health Institutes** Increase in personal services to accommodate past reductions and increases in costs	$807,269	$0	$0	$0	$807,269	*$807,269*	0.0
2B	**Mental Health Institutes** Increase in Operating Expenses to pay for increased pharmaceutical costs and utilization and management	$961,333	$0	$0	$0	$961,333	*$961,333*	0.0
12	**Mental Health and Alcohol and Drug Abuse Services** Increase ADAD spending authority for MOE - Includes a $68,400 CF increase for Administration Operating Expenses, a $250,000 FF Treatment and Detox Contracts increase, a new line item in ADAD for $500,000 for treatment of the Goebel population, and a $225,690 Cash Funds increase for the Persistent Drunk Driver Programs.	$0	$294,090 *[Persistent Drunk Driving Fund]*	$0	$250,000	$544,090	*$0*	0.0

FY 2005-06 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES -- Mental Health and ADAD Programs ONLY
Decision Item and Budget Amendment Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
	Mental Health and Alcohol and Drug Abuse Services - ADAD	($63,870)	$0	$334,645	$0	$270,775	*$151,354*	0.0
N/A	High Risk Pregnant Woman Funding Adjustments			*Medicaid Cash Funds*				
	Mental Health Institutes	$2,011,003	($238,190)	($6,151)	$0	$1,766,662	*$1,834,378*	0.0
N/A	Revenue Adjustment and (Unexplained) $1.8M Dollar Increase		*Various Sources*	*Various Sources*				
	Mental Health and Alcohol and Drug Abuse Services - Mental Health Institutes	($3,360)	$0	$175,320	$0	$171,960	*($3,360)*	0.0
N/A	Buy CT Scanner -- Paid for by DOC Transfer			*Transfer from DOC*				

FY 2005-06 Joint Budget Committee Staff Budget Briefing
DEPARTMENT OF HUMAN SERVICES -- Mental Health and ADAD Programs ONLY
Decision Item and Budget Amendment Priority List

Priority	Division: Description *[Statutory Authority]*	GF	CF *[Source]*	CFE *[Source]*	FF *[Source]*	Total	*Net GF**	FTE
N/A	**Mental Health and Alcohol and Drug Abuse Services - H.B. 99-1116** Residential Treatment for Youth (H.B 99-1116)	$0	$0	$43,255 *Medicaid CF (Transferred from HCPF)*	$0	$43,255	*$21,628*	0.0
N/A	**Mental Health and Alcohol and Drug Abuse Services - Administration** Traumatic Brain Injury Trust Fund - Administration Increase and Other Compared to Department Fiscal Note on H.B. 02-1281	$0	$1,034,960	$0	$0	$1,034,960	*$0*	1.0
	Total for MH and ADAD	**$3,712,375**	**$1,090,860**	**$547,069**	**$250,000**	**$5,600,304**	**$3,772,602**	**1.0**

* These amounts are included for informational purposes only. Medicaid cash funds are classified as cash funds exempt for the purpose of complying with Article X, Section 20 of the State Constitution. These moneys are transferred from the Department of Health Care Policy and Financing, where about half of the dollars are appropriated as General Fund. Net General Fund equals the General Fund dollars listed above plus the General Fund transferred as part of Medicaid.

	FY 2002-03 Actual	FY 2003-04 Actual	FY 2004-05 Appropriation	FY 2005-06 Request	FY 2005-06 Recommendation

DEPARTMENT OF HUMAN SERVICES
Executive Director: Marva Livingston Hammons

(4) MENTAL HEALTH AND ALCOHOL AND DRUG ABUSE SERVICES

(A) Administration

(Primary functions: Manages and provides policy direction to the Alcohol and Drug Abuse Division, the Indigent and Goebel Mental Health Community Programs, the Mental Health Institutes, and Housing Programs. The source of cash funds is from the Traumatic Brain Injury Trust Fund, the source of cash funds exempt is primarily Medicaid, and the source of federal funds is from housing grants.)

Personal Services	1,342,925	1,528,350	1,137,015	1,179,775	1,179,775
FTE	19.7	19.2	17.6 a/	16.6	16.6
General Fund					137,371
Cash Funds Exempt					378,087
Federal Funds					664,317
Medicaid Cash Funds Exempt					*287,729*
Medicaid - General Fund therein					*143,865*
Net General Fund					*281,236*
Operating Expenses	185,222	150,373	33,690	33,690	33,690
General Fund					20,431
Cash Funds Exempt					11,274
Federal Funds					1,985
Medicaid Cash Funds Exempt					*11,274*
Medicaid - General Fund therein					*5,637*
Net General Fund					*26,068*
Federal Programs and Grants - FF	3,122,964	4,797,738	1,672,925	1,683,891	1,684,458
FTE	3.7	7.8	3.0	3.0	3.0
Supportive Housing and Homelessness - FF	16,043,214	17,407,791	15,609,485	15,632,741	15,634,228
FTE	13.7	12.7	12.5	12.5	12.5

	FY 2002-03 Actual	FY 2003-04 Actual	FY 2004-05 Appropriation	FY 2005-06 Request	FY 2005-06 Recommendation
Capitation External Quality Review - CFE	0	159,739	0	0	0
Traumatic Brain Injury Trust Fund	0	18,329	970,463	2,005,319 A	1,967,120
FTE	0.0	0.2	1.0	2.0 A	1.0
Cash Funds (TBI Trust Fund)					1,505,422
Cash Funds Exempt (Reserves)					461,698
TOTAL - (A) Administration	20,694,325	24,062,320	19,423,578	20,535,416 A	20,499,271
FTE	37.1	39.9	34.1	34.1 A	33.1
General Fund	458,157	422,446	421,640	431,645	157,802
Cash Funds	0	18,329	970,463	2,005,319 A	1,505,422
Cash Funds Exempt	835,341	952,650	366,112	389,361	851,059
Federal Funds	19,400,827	22,668,895	17,665,363	17,709,091	17,984,988
Medicaid Cash Funds Exempt	*747,900*	*846,954*	*277,951*	*299,003*	*299,003*
Medicaid - General Fund therein	*373,950*	*423,477*	*138,976*	*149,502*	*149,502*
Net General Fund	*832,107*	*845,923*	*560,616*	*581,147*	*307,304*

** NOTE: These lines are included for informational purposes only. Medicaid Cash Funds are classified as Cash Funds Exempt for the purpose of complying with Article X, Section 20 of the State Constitution. These moneys are transferred from the Department of Health Care Policy and Financing, where about half of the dollars are appropriated as General Fund. Net General Fund equals the General Fund dollars listed above plus the General Fund transferred as part of Medicaid.

a/ Please note, this includes 1.0 FTE appropriated by H.B. 04-1107.

	FY 2002-03 Actual	FY 2003-04 Actual	FY 2004-05 Appropriation	FY 2005-06 Request	FY 2005-06 Recommendation

(B) Mental Health Community Programs

(Primary functions: Funding and oversight of community-based mental health programs, including the state's network of community mental health centers and clinics. Pursuant to H.B. 04-1265, Medicaid mental health programs were transferred to the Department of Health Care Policy and Financing.)

Medicaid Mental Health Program
Medicaid Mental Health Capitation

Mental Health Capitation - CFE	144,704,276	146,346,423	Pursuant to H.B. 04-1265, Medicaid mental health community programs
Medicaid Cash Funds	*144,704,276*	*146,346,423*	were moved to the Department of Health Care Policy and Financing
*Net General Fund**	*72,352,138*	*73,173,212*	beginning in FY 2004-05.
Mental Health Institute Rate Refinance Adjustment			Pursuant to H.B. 04-1265, Medicaid mental health community programs
Medicaid Cash Funds			were moved to the Department of Health Care Policy and Financing
*Net General Fund**			beginning in FY 2004-05.
Alternatives to Inpatient Hospitalization at the Mental Health Institute at Pueblo			Pursuant to H.B. 04-1265, Medicaid mental health community programs
Medicaid Cash Funds			were moved to the Department of Health Care Policy and Financing
*Net General Fund**			beginning in FY 2004-05.
Alternatives to Inpatient Hospitalization at the Mental Health Institute at Fort Logan			Pursuant to H.B. 04-1265, Medicaid mental health community programs
Medicaid Cash Funds			were moved to the Department of Health Care Policy and Financing
*Net General Fund**			beginning in FY 2004-05.
Alternatives to the Fort Logan Aftercare Program			Pursuant to H.B. 04-1265, Medicaid mental health community programs
Medicaid Cash Funds			were moved to the Department of Health Care Policy and Financing
*Net General Fund**			beginning in FY 2004-05.

	FY 2002-03 Actual	FY 2003-04 Actual	FY 2004-05 Appropriation	FY 2005-06 Request	FY 2005-06 Recommendation
Subtotal - Medicaid Mental Health Capitation					
Cash Funds Exempt	*144,704,276*	*146,346,423*	Pursuant to H.B. 04-1265, Medicaid mental health community programs were moved to the Department of Health Care Policy and Financing beginning in FY 2004-05.		
For Information Only:					
Medicaid Cash Funds Exempt	*144,704,276*	*146,346,423*			
Medicaid - General Fund therein	*72,352,138*	*73,173,212*			
Net General Fund	*72,352,138*	*73,173,212*			
Other Medicaid Mental Health Payments					
Medicaid Mental Health Fee for Service - CFE	2,695,135	3,509,845	Pursuant to H.B. 04-1265, Medicaid mental health community programs were moved to the Department of Health Care Policy and Financing beginning in FY 2004-05.		
Medicaid Cash Funds	*2,695,135*	*3,509,845*			
*Net General Fund**	*1,347,568*	*1,754,923*			
Medicaid Mental Health Services for Breast and Cervical Cancer Patients - CFE	3,102	0	Pursuant to H.B. 04-1265, Medicaid mental health community programs were moved to the Department of Health Care Policy and Financing beginning in FY 2004-05.		
Medicaid Cash Funds	*3,102*	*0*			
*Net General Fund**	*0*	*0*			
Medicaid Mental Health Child Placement Agency Program - CFE	7,152,728	7,440,901	Pursuant to H.B. 04-1265, Medicaid mental health community programs were moved to the Department of Health Care Policy and Financing beginning in FY 2004-05.		
Medicaid Anti-Psychotic Pharmaceuticals - Cash Funds Exempt	23,290,708	34,526,249 b/	Pursuant to H.B. 04-1265, Medicaid mental health community programs were moved to the Department of Health Care Policy and Financing beginning in FY 2004-05.		
Medicaid Cash Funds (Double-count of HCPF	*23,290,708*	34,526,249			
Net General Fund (Not Reflected Here)	*0*	*0*			

	FY 2002-03 Actual	FY 2003-04 Actual	FY 2004-05 Appropriation	FY 2005-06 Request	FY 2005-06 Recommendation
Subtotal: Other Medicaid Mental Health Payments - Cash Funds Exempt	33,141,673	45,476,995	Pursuant to H.B. 04-1265, Medicaid mental health community programs were moved to the Department of Health Care Policy and Financing beginning in FY 2004-05.		
*Medicaid Cash Funds***	*33,141,673*	*45,476,995*			
Medicaid - General Fund therein	*1,347,568*	*1,754,923*			
*Net General Fund***	*1,347,568 a/*	*1,754,923*			

a/ This calculation does not reflect the net General Fund of the Child Placement Agency funding; this General Fund is shown in the Child Welfare budget. The match for the program is 50/50 state and federal.

b/ This is the number that the Department of Human Services reported as its FY 2003-04 appropriation and expenditure; however, this is the FY 2004-05 appropriation (not the expenditure) and is not a FY 2003-04 figure. The final FY 2003-04 appropriation was $29,261,851.

	FY 2002-03 Actual	FY 2003-04 Actual	FY 2004-05 Appropriation	FY 2005-06 Request	FY 2005-06 Recommendation
(1) Mental Health Services for the Medically Indigent					
Services for Indigent Mentally Ill Clients	20,924,120 a/	19,702,177 a/	20,493,986	20,493,986	21,069,283
General Fund	15,671,434	14,069,799	15,069,799	15,069,799	15,371,195
Cash Funds Exempt (Voc Rehab)	67,800	0	0	0	0
Federal Funds	5,184,886	5,632,378	5,424,187	5,424,187	5,698,088
Services for Non-Target Clients - GF	344,913	0	0	0	0
Assertive Community Treatment Programs	1,213,596	1,213,600	1,213,600	1,213,600	1,237,872
General Fund	606,798	606,800	606,800	606,800	618,936
Cash Funds Exempt (Local Funds)	606,798	606,800	606,800	606,800	618,936
Alternatives to Inpatient Hospitalization at the Mental Health Institute at Pueblo	700,747	908,143	894,871	894,871	912,768
General Fund	700,747	908,143	894,871	894,871	912,768
Cash Funds Exempt (Capitation Line Transfer)	0	0	0	0	0
Medicaid Cash Funds	*0*		0	*0*	*0*
Medicaid - GF Therein					
Net General Fund (This Line Only)	*700,747*	*908,143*	*894,871*	*894,871*	*912,768*
Alternatives to Inpatient Hospitalization at the Mental Health Institute at Ft. Logan	198,000	583,481	583,481	583,481	595,151
General Fund	198,000	583,481	583,481	583,481	595,151
Cash Funds Exempt (Capitation Line Transfer)	0	0	0	0	0
Medicaid Cash Funds	*0*	*0*	*0*	*0*	*0*
Medicaid - GF Therein					
Net General Fund (This Line Only)	*198,000*	*583,481*	*583,481*	*583,481*	*595,151*

	FY 2002-03 Actual	FY 2003-04 Actual	FY 2004-05 Appropriation	FY 2005-06 Request	FY 2005-06 Recommendation
Alternatives to the Fort Logan Aftercare Program	131,367	183,725	178,766	178,766	182,341
General Fund	54,931	183,725	178,766	178,766	182,341
Cash Funds Exempt (Capitation Line Transfer)	76,436	0	0	0	0
Medicaid Cash Funds	*Incl. in Capitation*	*Incl. in Capitation*	*0*	*0*	*0*
Medicaid - GF Therein					
Net General Fund (This Line Only)	*54,931*	*183,725*	*178,766*	*178,766*	*182,341*
Enhanced Mental Health Pilot Services for Detained Youth - GF	377,080	0	0	0	0
Mental Health Early Intervention Program	195,106	0	0	0	0
General Fund	175,596	0	0	0	0
Cash Funds Exempt	19,510	0	0	0	0
Juvenile Mental Health Pilot (H.B. 00-1034)	156,000	175,200	350,400	350,400	357,408
General Fund	156,000	175,200	175,200	175,200	178,704
Cash Funds Exempt (Local Funding)	0	0	175,200	175,200	178,704
Alternatives to Inpatient Hospitalization for Youth - GF	N/A	246,282	246,282	246,282	251,208
Subtotal - Mental Health Services for the Medically Indigent	24,240,929	23,012,608	23,961,386	23,961,386	24,606,031
General Fund	18,285,499	16,773,430	17,755,199	17,755,199	18,110,303
Cash Funds Exempt	770,544	606,800	782,000	782,000	797,640
Federal Funds	5,184,886	5,632,378	5,424,187	5,424,187	5,698,088
Medicaid Cash Funds	0	0	0	0	0
Medicaid - GF Therein	0	0	0	0	0
Net General Fund	18,285,499	16,773,430	17,755,199	17,755,199	18,110,303

a/ For FY 2002-03, and FY 2003-04, the Department billed some of its division administrative costs to the target line item, thus reducing the amount of money distributed to mental health centers for services to the seriously mentally ill who are also indigent.

	FY 2002-03 Actual	FY 2003-04 Actual	FY 2004-05 Appropriation	FY 2005-06 Request	FY 2005-06 Recommendation
(2) Goebel Lawsuit					
Goebel Lawsuit Settlement	19,486,748	18,214,546	18,119,086	17,620,992	18,219,147
FTE	1.9	2.0	2.0	2.0	2.0
General Fund	6,703,518	6,558,960	6,301,591	5,803,497	6,168,540
Cash Funds Exempt (Medicaid and Voc Rehab	12,783,230	11,655,586	11,817,495	11,817,495	12,050,607
For Information Only:					
Medicaid Cash Funds	*12,783,230*	*11,655,586*	11,655,586	*11,655,586*	*11,888,698*
Medicaid - GF Therein	*6,391,615*	*5,827,793*	5,827,793	*5,827,793*	*5,944,348*
Net General Fund	*13,095,133*	*12,386,753*	*12,129,384*	*11,631,290*	*12,112,888*
(3) Other					
Residential Treatment for Youth					
(H.B. 99-1116)	344,970	451,354	551,776	551,776 A	562,812
General Fund	95,556	0	0	0	0
Cash Funds Exempt	249,414	451,354 a/	551,776 b/	551,776 A	562,812
For Information Only:					
Medicaid Cash Funds	*249,414*	*451,354*	*418,132*	*461,387* A	*472,423*
Medicaid - General Fund therein	*124,707*	*0*	*0*	*21,628* A	*27,128*
Net General Fund	*220,263*	*0*	*0*	*21,628* A	*27,128*

a/ Only $95,918 tobacco funds were reported as expended by the Department of Human Services. The Medicaid portion of the funding which totaled $355,436 total funds, including $177,718 tobacco and $177,718 federal matching funds were expended by HCPF on this program's behalf.

b/ Pursuant to H.B. 04-1421 (tobacco bill) and S.B. 04-65 (authorization), this line item includes $90,389 of direct tobacco funding plus $418,132 Medicaid funding (including $209,066 tobacco funds and $209,066 federal funds).

	FY 2002-03 Actual	FY 2003-04 Actual	FY 2004-05 Appropriation	FY 2005-06 Request		FY 2005-06 Recommendation
TOTAL - (B) Mental Health Community Programs	221,918,596	233,501,926	42,632,248	42,134,154	A	43,387,990
FTE	1.9	2.0	2.0	2.0		2.0
General Fund	25,084,573	23,332,390	24,056,790	23,558,696		24,278,843
Cash Funds Exempt	191,649,137	204,537,158	13,151,271	13,151,271	A	13,411,059
Federal Funds	5,184,886	5,632,378	5,424,187	5,424,187		5,698,088
For Information Only:						
*Medicaid Cash Funds***	*190,878,593*	*203,930,358*	*12,073,718*	*12,116,973*	A	*12,361,121*
Medicaid - General Fund therein	*80,216,028*	*80,755,927*	*5,827,793*	*5,849,421*	A	*5,971,476*
*Net General Fund***	*105,300,601*	*104,088,317*	*29,884,583*	*29,408,117*	A	*30,250,319*

** NOTE: These lines are included for informational purposes only. Medicaid Cash Funds are classified as Cash Funds Exempt for the purpose of complying with Article X, Section 20 of the State Constitution. These moneys are transferred from the Department of Health Care Policy and Financing, where about half of the dollars are appropriated as General Fund. Net General Fund equals the General Fund dollars listed above plus the General Fund transferred as part of Medicaid.

	FY 2002-03 Actual	FY 2003-04 Actual	FY 2004-05 Appropriation	FY 2005-06 Request	FY 2005-06 Recommendation
(C) Mental Health Institutes					
(Primary function: The Mental Health Institutes provide inpatient hospital care for seriously mentally ill citizens of Colorado. There are two state mental health institutes: the Colorado Mental Health Institute at Pueblo and the Colorado Mental Health Institute at Fort Logan. Cash and cash exempt sources are from client revenue sources, including Medicaid.)					
Personal Services	67,149,337	68,763,405	69,138,283	73,402,804 A	
FTE	1,237.2	1,137.3	1,195.2	1,195.2	
Operating Expenses	8,502,672	7,746,236	7,751,711	8,974,380 A	
Mental Health Institutes					79,744,213
FTE					1,195.2
General Hospital Personal Services	2,451,017	2,689,178	2,687,800 S	2,742,649	
FTE	35.2	33.5	36.0	36.0	
General Hospital Operating Expenses	325,917	322,658	347,318 S	322,658 A	
General Hospital					3,262,214
FTE					36.0
Educational Programs	934,801	857,080	627,865	645,088	652,570
FTE	14.0	12.2	15.0	15.0	15.0
Indirect Cost Assessment	97,433	145,549	214,279	214,279	Pending

	FY 2002-03 Actual	FY 2003-04 Actual	FY 2004-05 Appropriation	FY 2005-06 Request	FY 2005-06 Recommendation
TOTAL - Mental Health Institutes	79,461,177	80,524,106	80,767,256 Sa/	86,301,858 A	83,658,997
FTE	1,286.4	1,183.0	1,246.2	1,246.2	1,246.2
General Fund	54,795,926	57,807,475	59,978,846 S	65,132,134 A	63,183,107
Cash Funds	2,801,807	2,331,421	2,098,079	1,921,382 A	1,859,889
Cash Funds Exempt	21,486,177	20,049,058	18,690,331 S	19,248,342 A	18,616,001
Federal Funds	377,267	336,152	0	0	0
*Medicaid Cash Funds***	*3,618,035*	*4,076,293*	*4,876,070*	*4,604,333 A*	4,530,172
Medicaid - General Fund therein	*1,809,018*	*2,038,147*	*2,438,035*	*2,302,167 A*	2,265,087
*Net General Fund***	*56,604,944*	*59,845,622*	*62,416,881* S	*67,434,301 A*	65,448,194

** NOTE: These lines are included for informational purposes only. Medicaid Cash Funds are classified as Cash Funds Exempt for the purpose of complying with Article X, Section 20 of the State Constitution. These moneys are transferred from the Department of Health Care Policy and Financing, where about half of the dollars are appropriated as General Fund. Net General Fund equals the General Fund dollars listed above plus the General Fund transferred as part of Medicaid.

*** NOTE: Exempt General Fund refers to General Fund amounts anticipated to be exempt from the six percent limit on increases in General Fund appropriations.

a/ Not reflected in the FY 2004-05 figures herein are $2,711,064 in supplemental requests for the following: $1,184,541 GF for RTC expenditures going back to 2003, $807,26 for personal services increases; and $1,121,333 for operating expenses (for pharmacy) and financing adjustments which carry a $402,079 negative GF impact (savings).

	FY 2002-03 Actual	FY 2003-04 Actual	FY 2004-05 Appropriation	FY 2005-06 Request	FY 2005-06 Recommendation
(D) Alcohol and Drug Abuse Division					
(Primary function: The Alcohol and Drug Abuse Division develops, supports, and advocates for comprehensive services to reduce alcohol, tobacco, and other drug abuse, and to promote healthy individuals, families, and communities. Cash fund sources include the Persistent Drunk Driver Cash Fund and the Drug Offender Surcharge Fund. The cash funds exempt is from Medicaid funds.)					
(1) Administration					
Personal Services	1,755,035 a/	1,894,691 a/	1,705,384	1,768,128	1,768,128
FTE	22.5	25.7	27.0	27.0	27.0
Cash Funds					37,805
Cash Funds Exempt					305,351
Federal Funds					1,424,972
Operating Expenses	162,855	175,806	179,942	248,342	248,342
Cash Funds					80,188
Cash Funds Exempt					145,814
Federal Funds					22,340
Performance Outcome Management Module Information System - GF	141,400	0	0	0	0
Other Federal Grants - FF	Reported below, in Other Federal Programs		126,500	126,500	126,500
Indirect Cost Assessment	115,311	110,488	243,723	243,723	Pending
Cash Funds					0
Federal Funds					0
Subtotal - (1) Administration	2,174,601	2,180,985	2,255,549	2,386,693	2,142,970
FTE	22.5	25.7	27.0	27.0	27.0
General Fund	152,494	70,088	0	0	0
Cash Funds	47,442	48,589	52,873	121,273	117,993
Cash Funds Exempt	440,993	420,993	451,165	451,165	451,165
Federal Funds	1,533,672	1,641,315	1,751,511	1,814,255	1,573,812

a/ These figures do not reflect the OSPB budget instructions in providing reconciled actual budget data. Staff has provided the Department's actual figures but they do not contain reconciliations that remove the allocations of centrally appropriated items.

	FY 2002-03 Actual	FY 2003-04 Actual	FY 2004-05 Appropriation	FY 2005-06 Request	FY 2005-06 Recommendation
(2) Community Programs					
(a) Treatment Services					
Treatment and Detox Contracts	18,533,846	20,047,248	19,861,809	19,416,172	19,823,973
General Fund	7,424,854	8,541,782	7,639,903	7,639,903	8,047,704
Cash Funds	752,616	752,616	1,252,616	1,002,616	1,002,616
Cash Funds Exempt	150,000	500,000	871,343	425,706	425,706
Federal Funds	10,206,376	10,252,850	10,097,947	10,347,947	10,347,947
ADAD Goebel Funding - GF	0	0	0	500,000	255,000
Case Management - Chronic Detox Clients	369,144	369,166	369,166	369,166	369,212
General Fund	2,261	2,283	2,283	2,283	2,329
Federal Funds	366,883	366,883	366,883	366,883	366,883
Residential Treatment for Women with Dependent Children - General Fund	670,277	Consolidated in Treatment Contracts (above)			
High Risk Pregnant Women - CFE	Previously appropriated in Prevention,		1,133,667 S	806,560 A	952,986
Medicaid Cash Funds	Intervention (below)		*1,133,667* S	*806,560* A	*952,986*
Net General Fund			*518,931* S	*387,312* A	*476,494*
Subtotal - (a) Treatment Services	19,573,267	20,416,414	21,364,642 S	21,091,898 A	21,401,171
General Fund	8,097,392	8,544,065	7,642,186	8,142,186	8,305,033
Cash Funds	752,616	752,616	1,252,616	1,002,616	1,002,616
Cash Funds Exempt	150,000	500,000	2,005,010 S	1,232,266 A	1,378,692
Federal Funds	10,573,259	10,619,733	10,464,830	10,714,830	10,714,830
For Information Only:					
Medicaid Cash Funds	*0*	*0*	*1,133,667 S*	*806,560 A*	*952,986*
Medicaid - General Fund therein	*0*	*0*	*518,931 S*	*387,312 A*	*476,494*
Net General Fund	*8,097,392*	*8,544,065*	*8,161,117 S*	*8,529,498 A*	*8,781,527*

a/ This line item was consolidated within Treatment Contracts in FY 2003-04.

	FY 2002-03 Actual	FY 2003-04 Actual	FY 2004-05 Appropriation	FY 2005-06 Request	FY 2005-06 Recommendation
(b) Prevention and Intervention					
High Risk Pregnant Women - CFE	282,004	469,549	Appropriated in Treatment Services (above)		
Medicaid Cash Funds	*282,004*	*469,549*			
Net General Fund	*141,002*	*234,775*			
Prevention Contracts	3,762,113	3,753,199	3,831,230	3,831,230	3,831,230
Cash Funds	0	0	5,000	5,000	5,000
Federal Funds	3,762,113	3,753,199	3,826,230	3,826,230	3,826,230
Persistent Drunk Driver Programs - CF	325,074	217,183	277,340	503,030	503,030
Law Enforcement Assistance Contracts	335,828	250,000	250,000	250,000	250,000
Cash Funds (Law Enforcement CF)	335,812	250,000	250,000	250,000	250,000
Cash Funds Exempt	16	0	0	0	0
Federal Grants - FF	1,998,815	702,189	Appropriated in Other Programs (below)		
Federal Funds					
Subtotal - (b) Prevention and Intervention	6,703,834	5,392,120	4,358,570	4,584,260	4,584,260
Cash Funds	660,886	467,183	532,340	758,030	758,030
Cash Funds Exempt	282,020	469,549	0	0	0
Federal Funds	5,760,928	4,455,388	3,826,230	3,826,230	3,826,230
Medicaid Cash Funds	*282,004*	*469,549*	*0*	*0*	*0*
Medicaid - General Fund therein	*141,002*	*234,775*	*0*	*0*	*0*
Net General Fund	*141,002*	*234,775*	*0*	*0*	0

	FY 2002-03 Actual	FY 2003-04 Actual	FY 2004-05 Appropriation	FY 2005-06 Request		FY 2005-06 Recommendation
(c) Other Programs	Appropriated in Prevention and Intervention (above)					
Federal Grants			921,291	921,291		921,291
Cash Funds Exempt (Transfer from Public Saf	Section (above)		195,500	195,500		195,500
Federal Funds			725,791	725,791		725,791
Balance of Substance Abuse Grant, Block Grant Programs	6,673,443	6,966,601	6,074,162	6,010,292	A	6,013,790
General Fund	238,770	238,771	238,770	174,900	A	178,398
Cash Funds Exempt (Medicaid)	0	0	0	127,740	A	0
Federal Funds	6,434,673	6,727,830	5,835,392	5,835,392		5,835,392
Medicaid Cash Funds	0	0	0	127,740	A	0
Medicaid - General Fund therein	0	0	0	63,870	A	0
Net General Fund	0	0	0	238,770	A	178,398
Subtotal (c) Other Programs	6,673,443	6,966,601	6,995,453	6,931,583		6,935,081
General Fund	238,770	238,771	238,770	174,900	A	178,398
Cash Funds Exempt	0	0	195,500	323,240	A	195,500
Federal Funds	6,434,673	6,727,830	6,561,183	6,561,183		6,561,183
Medicaid Cash Funds	*0*	*0*	*0*	*127,740*	A	*0*
Medicaid - General Fund therein	*0*	*0*	*0*	*63,870*	A	*0*
Net General Fund	*0*	*0*	*0*	*238,770*	A	*178,398*

	FY 2002-03 Actual	FY 2003-04 Actual	FY 2004-05 Appropriation	FY 2005-06 Request	FY 2005-06 Recommendation
Subtotal - (2) Community Programs	32,950,544	32,775,135	32,718,665 S	32,735,481 A	32,920,512
General Fund	8,336,162	8,782,836	7,880,956	8,317,086 A	8,483,431
Cash Funds	1,413,502	1,219,799	1,784,956	1,760,646	1,760,646
Cash Funds Exempt	432,020	969,549	2,200,510 S	1,555,506 A	1,574,192
Federal Funds	22,768,860	21,802,951	20,852,243	21,102,243	21,102,243
Medicaid Cash Funds	*282,004*	*469,549*	*1,133,667*	*934,300* A	*952,986*
Medicaid - General Fund therein	*141,002*	*234,775*	*518,931*	*451,182* A	*476,494*
Net General Fund	*8,238,394*	*8,778,840*	*8,161,117*	*8,768,268* A	*8,959,925*
TOTAL - (D) Alcohol and Drug Abuse Division	35,125,145	34,956,120	34,974,214 S	35,122,174 A	35,063,482
FTE	22.5	25.7	27.0	27.0	27.0
General Fund	8,488,656	8,852,924	7,880,956 S	8,317,086 A	8,483,431
Cash Funds	1,460,944	1,268,388	1,837,829	1,881,919	1,878,639
Cash Funds Exempt	873,013	1,390,542	2,651,675 S	2,006,671 A	2,025,357
Federal Funds	24,302,532	23,444,266	22,603,754	22,916,498	22,676,055
*Medicaid Cash Funds**	*564,008*	*469,549*	*1,133,667* S	*934,300* A	*952,986*
Medicaid - General Fund therein	*141,002*	*234,775*	*518,931* S	*451,182* A	*476,494*
*Net General Fund**	*8,238,394*	*9,087,699*	*8,399,887* S	*8,768,268* A	*8,959,924*

* NOTE: These lines are included for informational purposes only. Medicaid Cash Funds are classified as Cash Funds Exempt for the purpose of complying with Article X, Section 20 of the State Constitution. These moneys are transferred from the Department of Health Care Policy and Financing, where about half of the dollars are appropriated as General Fund. Net General Fund equals the General Fund dollars listed above plus the General Fund transferred as part of Medicaid.

	FY 2002-03 Actual	FY 2003-04 Actual	FY 2004-05 Appropriation		FY 2005-06 Request		FY 2005-06 Recommendation
TOTAL - (4) Mental Health and Alcohol and Drug Abuse Services	357,199,243	373,044,472	177,797,296	S	184,093,602	A	182,609,740
FTE	1,347.9	1,250.6	1,309.3		1,309.3	A	1,308.3
General Fund	88,827,312	90,415,235	92,338,232	S	97,439,561	A	96,103,183
Cash Funds	4,262,751	3,618,138	4,906,371		5,808,620	A	5,243,950
Cash Funds Exempt	214,843,668	226,929,408	34,859,389	S	34,795,645	A	34,903,476
Federal Funds	49,265,512	52,081,691	45,693,304		46,049,776		46,359,131
*Medicaid Cash Funds***	*195,808,536*	*209,323,154*	*18,361,406*	*S*	*17,954,609*	*A*	*18,143,282*
Medicaid - General Fund therein	*82,539,997*	*83,452,325*	*8,923,735*	*S*	*8,752,271*	*A*	*8,862,559*
*Net General Fund** (not incl. exempt)*	*170,976,045*	*173,867,560*	*101,261,967*	*S*	*106,191,832*	*A*	*104,965,741*

** NOTE: These lines are included for informational purposes only. Medicaid Cash Funds are classified as Cash Funds Exempt for the purpose of complying with Article X, Section 20 of the State Constitution. These moneys are transferred from the Department of Health Care Policy and Financing, where about half of the dollars are appropriated as General Fund. Net General Fund equals the General Fund dollars listed above plus the General Fund transferred as part of Medicaid.

H.B. 04-1265

House Bill 04-1265 transferred responsibility for the Medicaid Mental Health community programs (except for Goebel) to the Department of Health Care Policy and Financing. The FY 2004-05 budget was commensurately adjusted in the FY 2004-05 Long Bill.

DHS Responsibilities

This Division has responsibility and funding for the following:

- Supportive Housing and Homelessness programs, and central administration of the Division;
- non-Medicaid funded Mental Health Community Programs (e.g., Indigent Mentally Ill),
- the Goebel Settlement Program;
- the Mental Health Institutes; and
- the Alcohol and Drug Abuse Division.

Administration

This section contains appropriations for the central administration of mental health and alcohol and drug abuse services for adults and children. It also includes funding for federal housing programs for low income and indigent persons who require specialized care. The primary source of the cash funds exempt in this section is Medicaid cash funds transferred from the Department of Health Care Policy and Financing. The primary source of federal funds is the U.S. Department of Housing and Urban Development.

Staffing Summary:

Administration Section (all lines)	FY 2003-04 Actual	FY 2004-05 Appropriation	FY 2005-06 Request	FY 2005-06 Recomm.
Management	2.5	3.0	3.0	3.0

DEPARTMENT OF HUMAN SERVICES
Mental Health and Alcohol and Drug Abuse Division
FY 2005-06 Figure Setting
JBC WORKING DOCUMENT - DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

Administration Section (all lines)	FY 2003-04 Actual	FY 2004-05 Appropriation		FY 2005-06 Request	FY 2005-06 Recomm.
Accounting/Budgeting	1.0	1.0		1.0	1.0
Support Staff	8.0	5.9		5.9	5.9
Program (and Grants) Administration	26.4	22.2	*a/*	22.2	21.2
Data and Evaluation	2.0	2.0		2.0	2.0
Total	39.9	34.1	*a/*	34.1	33.1

a/ House Bill 04-1107 appropriated 1.0 FTE for FY 2004-05 for federally funded supportive housing. The Department did not request the FTE for FY 2005-06.

Personal Services
The request is for $1,179,775 total funds ($555,079 net General Fund in the bottom-line funding) and 16.6 FTE. The Department did not include the FTE authorized by H.B. 04-1107 to continue in FY 2005-06 and did not correct the budget earlier this year.

Staff recommends $1,179,775 total funds and 16.6 FTE calculated pursuant to JBC policy. However, staff has made changes to the financing which lowers the net General Fund by about half, to $281,236, a difference of $273,843 General Fund.

The JBC may recall the staff briefing issue raised in the December 2, 2004, JBC staff briefing for the Department of Human Services which reported that this section of the Department had utilized a couple hundred thousand dollars of federal block grant moneys in FY 2003-04 that should have instead been utilized for services to severely mentally ill people without insurance (indigent care line item). The Department accessed about $81,634 in additional federal block grant funding that it used for administration in its Administration, Personal Services line item. It also spent $192,209 from the Indigent Care for the Mentally Ill line item on Division salaries for a combined expenditure of $273,843 on salaries. The following discussion was reported in the staff briefing:

> **Question: On page 8-33, 8-34, and 8-35, the actual expenditures for the "MH services for the medically indigent" (previously the so-called "target"line item) appear to have departmental administrative expenditures charged to them. On page 8-25 I don't see "departmental administration" listed in the range of services denoted for the MH services for the medically indigent. Can you show**

> **me where that is requested and also explain why departmental expenses are being paid out of a line item intended as a pass-through for mental health centers? When did the JBC specifically approve this use of the pass-through for administrative costs?**
>
> DHS Response: The Department's FY 2005-06 is not the first request to indicate personal services and operating costs expended from this appropriation. Page (8)-38 of the Department's FY 2004-05 request includes detail for similar expenditures.
>
> **As you are aware, federal funds are not subject to appropriation.** Therefore, the spending authority to use these federal funds for DMH administrative services to mental health consumers and family members is allowable. The narrative on Page 8-25 will be revised to include departmental administrative expenditures. **[Emphasis added.]**

The Department is correct that these federal funds are not subject to appropriation. However, in the assumptions used by the JBC and the General Assembly in determining the total amount of administration, personal services funding for the Long Bill assumed $259,766 of federal block grant funding as part of the total funding the line item received. In addition, the Indigent Care line item which would have received the moneys for pass-through to mental health centers experienced General Fund reductions of $1.6M (over 10 percent) in FY 2003-04 and $4.5 million in FY 2002-03 (over 22 percent).

As a result of the concerns that the briefing issue highlighted, staff is recommending the following changes for the format of the appropriation:

- Staff recommends a change to finance the Administration section's line items as individually financed (instead of "bottom line" financing). This action is intended to limit the section's flexibility and make possible the introduction of the "(M)" notation to control the type of funding.

- Staff recommends the inclusion of an "(M)" notation to the General Fund appropriation. By adding this "(M)" notation, if the Division accesses more federal funds for the line item, then it must lower its General Fund expenditure therefore eliminating any incentive to do such. This is therefore intended to respond to the Department's comment that the General Assembly does not appropriate the federal funds. Please note, however, this action does not prevent the Department from continuing to directly bill its salaries to the Indigent Care line item.

***

- Staff is recommending the addition of a footnote indicating that it is the intent of the General Assembly that additional federal block grant moneys received shall not be used to augment appropriated salaries - that instead the federal block grant moneys be used for services to indigent people with severe mental illness.

Staff has reduced the General Fund portion of the recommended appropriation by $273,843 and increased the federal block grant portion shown in this line by this sum. This action is based on the following:

- At the hearing, the JBC asked the Department what the anticipated level of the federal block grant was for FY 2004-05 and FY 2005-06. The Department responded that it anticipated $5,743,057. This sum is $547,744 greater than the Department's FY 2005-06 request of $5,195,313. As such, there is over $0.5 million in additional federal block grant moneys that the Department has not reported/requested being expended in any line item (salaries or indigent care for the severely mentally ill) but which staff is concerned could be used for purposes contrary to legislative intent.

- In the Indigent Care for Severely Mentally Ill clients line item, staff will reflect the remainder of the federal funding (an increase of $273,901). This is based on the difference between the $547,744 in additional federal block grant funding anticipated, less the $273,843 that the Department expended on salaries, recommended to be used to offset General Fund.

- This frees up $273,843 General Fund in FY 2005-06 toward the State's General Fund shortfall and the application of the federal funds in this manner provides for services to approximately 86 additional clients in the Indigent Care for Severely Mentally Ill clients line item (@ $3,192 avg cost per person).

In terms of the calculation of the total funding recommendation of $1,179,775 and 16.6 FTE, staff's recommendation takes the FY 2004-05 Long Bill appropriation of $1,137,015, adds FY 2004-05 salary survey of $22,979, adds FY 2004-05 performance-based pay of $22,056, applies a 0.2 percent reduction totaling $2,275, and reduces $273,843 General Fund and increases $273,843 federal funds from the Mental Health block grant. In addition, as noted above, the recommendation provides for the line item to be individually financed with the addition of an "(M)" notation. Staff will recommend a footnote to be added to the Indigent Care line item (which follows in the next section) to express the General Assembly's intent that salaries are not to be billed to the program line item. Staff will monitor the expenditures for FY 2004-05 and will report back to the JBC on the FY 2004-05

expenditures during briefings next year after the November 1, 2005, budgets are submitted to the JBC. Staff has not included the 1.0 FTE associated with H.B. 04-1107 as this was not requested by the Department.

The total financing of the line of $1,179,775 includes $137,371 General Fund, $378,087 cash funds exempt and $664,317 federal funds. Of the cash funds exempt, $287,729 is Medicaid cash funds of which $143,865 is derived as General Fund in the Department of Health Care Policy and Financing. As such, the $137,731 plus the $143,865 total the $281,236 net General Fund shown.

Operating Expenses
The request is for $33,690 total funds ($26,068 net General Fund in the bottom-line funding). This is a continuation from the FY 2004-05 appropriation.

Staff recommends the request but staff recommends the line item be financed individually at not on a bottom-line basis for the section. As such, staff's recommendation is for $20,431 General Fund, $11,274 cash funds exempt and $1,985 federal funds. The $11,274 cash funds exempt is from Medicaid and includes $5,637 General Fund appropriated at the Department of Health Care Policy and Financing.

Federal Programs and Grants
This line item reflects funding received from federal authorities for special programs and grants. This includes funding for special purpose demonstration projects and research program grants funded at the Division level by the federal government. The request includes a 0.2 percent personal services base reduction.

Staff recommends $1,684,458 federal funds and 3.0 FTE. Staff's recommendation is calculated pursuant to the Committee's policy, taking the $1,672,925 federal funds FY 2004-05 Long Bill appropriation, adds $6,979 FY 2004-05 salary survey, adds $4,554 performance based pay. Staff did not apply the 0.2 percent reduction since the line is 100 percent federal funds and the amount of funding is not subject to appropriation by the General Assembly.

Supportive Housing and Homelessness Programs
This line item reflects funding received from federal authorities to develop and provide resources and housing services for Colorado's homeless and persons with special needs. The program administers

2,800 section 8 federal rental subsidies and 226 "shelter plus care" service-enriched rental subsidies for persons with mental illness through local service providers. The request is for $15,632,741 and 12.5 FTE. The request contains a 0.2 percent personal services base reduction.

Staff recommends $15,634,228 federal funds and 12.5 FTE for FY 2005-06. Staff's recommendation is calculated pursuant to the Committee's policy but does not include the 0.2 percent base reduction since this line item is 100 percent federal funds. Staff's recommendation takes the $15,632,741 federal funds FY 2004-05 Long Bill appropriation, adds $15,461 of FY 2004-05 salary survey and $9,282 of FY 2004-05 performance-based pay.

Capitation External Quality Review

This line item was transferred to the Department of Health Care Policy and Financing, pursuant to H.B. 04-1265 and is now funded in the Executive Director's Office pursuant to a supplemental adjustment. As such, funding is neither requested nor recommended for FY 2005-06.

Traumatic Brain Injury Trust Fund

House Bill 02-1281 created the Colorado Traumatic Brain Injury Board within the Department of Human Services and provided for funding for administration, eligibility, case management, and claims payment functions relating to the program, pursuant to Section 26-1-301, C.R.S. Funding for the Traumatic Brain Injury Fund is derived from people convicted of driving under the influence, driving while impaired and speeding (as of January 2004). There is a $15.00 surcharge for DUI and related convictions and $10.00 surcharge for speeding violations. The bill also allows the Board to accept gifts, grants, and donations, although none have been forthcoming. Of the annual revenues for the program: about 65.0 percent will be used for services for people with traumatic brain injuries; 30.0 percent will be to support research related to the treatment and understanding of traumatic brain injury; and 5.0 percent will be for education for individuals with traumatic brain injury and to assist educators, parents, and non-medical professionals in the identification of traumatic brain injuries. Of the annual revenues for the program:

- about 65.0 percent was intended to be used for services for people with traumatic brain injuries;
- 30.0 percent will be to support research related to the treatment and understanding of traumatic brain injury; and

- 5.0 percent will be for education for individuals with traumatic brain injury and to assist educators, parents, and non-medical professionals in the identification of traumatic brain injuries.

The request includes a budget amendment which seeks to increase the spending on the program, including administration and 1.0 FTE. Of the $1,505,422 in anticipated revenues for FY 2005-06, the following is requested spending:

- $102,026 for administration and 2.0 FTE (an increase of 1.0 FTE from FY 2004-05;
- $82,670 for education;
- $746,019 for research; and,
- $1,074,708 for client services.

The requested spending is $2,005,423. As such, the request's financing is incorrect since it should reflect some of the expenditure as cash funds exempt.

> **Staff does not recommend the request for additional FTE and administrative expenses.** The request for additional FTE is inconsistent with the terms of the Legislative Council Staff Fiscal Note dated April 26, 2002 which identified Department administrative costs of $36,686 and 1.0 FTE. The budget amendment request would establish these Departmental administrative costs of $89,673 and 2.0 FTE -- $52,987 (140 percent) higher than the Legislative Council Staff Fiscal Note. While staff acknowledges that the program has resulted in additional workload, such workload should have been foreseen when the Department evaluated the cost of the program in its fiscal note estimates. Staff believes that creating funding increases for administration after the fact would create a bad precedent. Such issues of precedent may be more important than individual
>
> **Excerpt from the H.B. 02-1281 Fiscal Note (dated April 26, 2002):**
> *Personal Services and Operating Expenses* — estimated at $15,966 in FY 2002-03 and **$36,686** in FY 2003-04. The DHS will require 1.0 FTE Program Assistant II to provide administrative assistance to the board. [**Emphasis added; full Fiscal Note is attached.**]

Staff does recommend the additional programmatic spending but corrected to reflect that some of it is from reserves and therefore not funding subject to TABOR. Of the $1,505,422 in anticipated revenues for FY 2005-06, the following is recommended:

- $63,723 and 1.0 FTE (a decrease of $104 or 0.2 percent administration from FY 2004-05);
- $82,670 for education;
- $746,019 for research; and,
- $1,074,708 for client services.

Staff has calculated the spending from reserves ($1,967,120 recommended compared to the $1,505,422 leaves $461,698 to be funded from the cash fund reserves).

TBI Revenues

On the issue of the current and projected revenue levels, which are substantially higher than estimated this time last year, staff would note that the revenue increase is driving a TABOR impact and corresponding General Fund refund and need for General Fund reductions. Last year at this time, JBC staff noted that implementation of this legislation would have a TABOR and therefore General Fund impact. The revenue increase is more than previously thought. The JBC may want to consider legislation to eliminate the fee and replace the program with a General Fund cost in order to control the cash fund revenue level. Depending on how it is done, the fiscal impact could be a wash to the program.

The FY 2005-06 revenue estimate is the same as FY 2004-05. Revenue estimates for FY 2005-06 were built based on FY 2004-05 changes. These changes are shown below:

Revenue by Source	FY 2004-05 Approp.	FY 2004-05 Revised	Difference	Percent Difference
DUI convictions	288,600	496,073	207,473	71.9%
Speeding Tickets - County Violations - County Collect	147,575	306,465	158,890	107.7%
Speeding Tickets - State Motor Vehicles Collect	534,288	688,869	154,582	28.9%
Trust Fund Interest	0	14,015	14,015	N/A
TOTAL	**970,463**	**1,505,422**	**534,959**	**55.1%**

Mental Health Community Programs

This section provides mental health services through the purchase of services from mental health centers and clinics. The cash funds exempt shown are primarily from the Medicaid program; these funds are associated with the Goebel lawsuit settlement services. These Medicaid funds are appropriated to the Department of Health Care Policy and Financing as General Fund and federal funds, and are transferred to the Department of Human Services as cash funds exempt Medicaid dollars. As such, it is the "net" General Fund amount that is important in considering the fiscal impact of the line items. A small portion of cash funds exempt are associated with a local match. The federal funds are primarily from the Mental Health Services Block Grant.

Mental Health Services for the Medically Indigent

This section of the Long Bill, reorganized in FY 2003-04, is designed to reflect the funding for clients who are not eligible for Medicaid and who are medically indigent. By far, the majority of funding for mental health services in the state is funded with Medicaid dollars as noted in the Department of Health Care Policy and Financing figure setting. This area provides funding for clients who are not Medicaid eligible and have severe mental illness, and are medically indigent with respect to service needs. As such, the funding reflects only General Fund and non-Medicaid matching funds. The section also contains line items added in FY 2003-04 for recently deinstitutionalized clients; the funding herein reflects that for the non-Medicaid clients who were deinstitutionalized from the respective mental health institute.

<u>Services for Indigent Mentally Ill Clients</u>
Funding in this line item is used for non-Medicaid indigent adult and elderly individuals with chronic and major mental illnesses, and children and adolescents with severe emotional disturbances. The Department of Human Services contracts annually with the State's 17 Community Mental Health Centers to provide these services. Since 1981, the state has directed its community resources for services to serious, critical and chronically mentally ill persons, who were previously referred to as "Target Clients" in the line item designation. Services provided include partial care, outpatient care, case management, long-term care, inpatient care, residential care, sheltered workshop/vocational placements, and children's crisis services. In the FY 2003-04 supplemental, the cash funds exempt "informational funding" of $2,235,259 was eliminated from the Long Bill. This sum was not reported in prior years, represented an area of confusion at the Department's hearing on what the amount was,

and, in staff's opinion, appeared to inflate the amount of funding actually provided to this client population. The FY 2005-06 request is for a continuing level of funding.

Comparison of Appropriations for Indigent Mentally Ill Clients Funding					
	FY 2002-03 Original Approp.	FY 2002-03 Actual	FY 2003-04 Actual	FY 2004-05 Appropriation	FY 2005-06 Recommend.
Total Funds [1/]	25,164,087	20,856,320	19,702,177	20,493,986	21,069,283
General Fund	20,164,969	15,671,434	14,069,799	15,069,799	15,371,195
Federal Funds	4,999,118	5,184,886	5,632,378	5,424,187	5,698,088
General Fund Change	1,387,772	(4,493,535)	(1,601,635)	1,000,000	301,396
Total Funds Change	1,485,794	(4,307,767)	(1,154,143)	791,809	575,297
% GF Change	7.4%	-22.3%	-10.2%	7.1%	2.0%
% Total Funds Change	6.3%	-17.1%	-5.5%	4.0%	2.8%
Rough Estimate of Clients Served [2/]	7,883	6,534	6,172	6,420	6,601
Change in Estimated Number of Clients	(2,411)	(1,350)	(362)	248	180

[1/] The cash funds exempt included $2,235,259, shown for informational purposes and represented moneys spent in a separate division (Vocational Rehabilitation). The reflection of these moneys in the Long Bill was eliminated in the FY 2003-04 supplemental because they did not represent "additional" funding and had been a source of confusion for the General Assembly and the executive. Indeed, the budget did not reflect the sum being fully expended (instead only $67,800). For comparison purposes, staff has not included this funding source in FY 2002-03 figures.

[2/] Uses a cost per client of $3,192 across these years for comparability to dollars. The $3,192 figure was increased from the prior estimate of $2,300 by the Department in January 2005 data provided to the JBC.

Waiting Lists at Community Mental Health Centers				
FY 2000-01 Actual	FY 2001-02 Actual	FY 2002-03 Actual	FY 2003-04 Actual	FY 2004-05 Projected
143	381	427	400	400

For the line item, staff recommends FY 2005-06 funding of $21,069,283, including $15,371,195 General Fund and $5,698,088 from federal funds.

The General Fund recommendation is increased pursuant to the application of the JBC's common policy for a 2.0 percent community provider rate increase. This adds $301,396 General Fund for FY 2005-06 which will serve about 100 more clients.

The increase in the federal block grant moneys are based on the remainder of the federal funding (an increase of $273,901) after the estimated funds are applied between this line and Administration. This is based on the difference between the $547,744 in additional federal block grant funding anticipated, less the $273,843 that the Department expended on salaries, recommended to be used to offset General Fund. This increase of $273,901 will serve about 85 more clients. The remainder of the federal funds ($488,640) is a continuation level from the Homeless Prevention Block Grant.

Staff recommends that the line item name be adjusted to reflect the number of clients estimated to be served. Based on a $21,069,283 total funds recommendation at $3,192 per person on average, the recommendation would serve 6,601 clients.

Staff also recommends the addition of two new footnotes to express legislative intent as to the use of the moneys in this line item:

> N Department of Human Services, Mental Health and Alcohol and Drug Abuse Division, Mental Health Community Programs, Services for 6,601 Clients -- Funding for this line item includes $15,371,195 General Fund and $5,698,088 federal funds, including $5,209,448 from the federal block grant. It is the intent of the General Assembly that this money be used solely as a direct services pass-through to community mental health centers, as indicated by the Department of Human Services budget submission to the General Assembly dated November 1, 2004.

N Department of Human Services, Mental Health and Alcohol and Drug Abuse Division, Mental Health Community Programs, Services for 6,601 Clients -- Funding for this line item includes a 2.0 percent rate increase for community providers.

With the JBC's permission, the latter footnote on the 2.0 percent community provider rate would be expanded to reflect the many line items in this Division which would receive the community provider rate increase. Since there are so many line items, staff recommends one footnote be applied with all line items noted.

Services for Non-Target Clients

This line item provided funding for services to over 17,000 non-targeted clients in community mental health centers located in counties with populations under 200,000. A non-targeted client was an individual not meeting the target criteria listed above (adult and elderly individuals with chronic and major mental illnesses, and children and adolescents with severe emotional disturbances). The vast majority of services provided for non-targeted clients were funded entirely from community mental health centers' locally generated funds. Local efforts generated over $30 million which was not reflected in the Long Bill. Because of the General Fund revenue shortfall, funding for this line item was eliminated in FY 2003-04. **Funding for FY 2005-06 is neither requested nor recommended.**

Assertive Community Treatment Programs

This line item supports assertive community treatment programs–intensive outpatient and case management services--for severely mentally ill adults. The line item was created in FY 2000-01 to provide new or enhanced services to at least 120 severely and persistently mentally ill clients through competitive grants to community mental health centers. The cash funds exempt in the line item reflects matching funding be provided by the Medicaid mental health capitation contractors to provide ACT services for Medicaid clients. The Department's request reflects a continuation level of funding for this line item of $1,213,600, comprised of $606,800 General Fund and $606,800 cash funds exempt (local matching funds).

Staff recommends $1,237,872, comprised of $618,936 General Fund and $618,936 cash funds exempt (local matching funds). This figure reflects the base of $1,213,600 inflated by the addition of a 2.0 percent community provider rate increase pursuant to JBC policy. This results in a $24,272 total funds ($12,136 General Fund) increase.

Alternatives to Inpatient Hospitalization at the Mental Health Institute at Pueblo

As part of the state's budget balancing actions, eight beds at CMHI Pueblo were closed on March 1, 2003, followed by the closure of 24 more beds (a full 32-bed unit) on April 1, 2003. In order to ensure that patients could continue to receive services, the General Assembly funded community-based alternatives and incorporated Medicaid into the overall funding structure. This line item funds the alternative placement for persons who would otherwise have used those beds. This line item was adjusted in the FY 2003-04 to separate the Medicaid from the non-Medicaid (Indigent) clients. The JBC also divided the program into Medicaid and non-Medicaid, consistent with the restructuring of the budget by eligibility type. As such, as of the FY 2003-04 supplemental, funding in this line item (within this section) is for the non-Medicaid clients (indigent) only. The request is for $894,871, a continuing level from FY 2004-05.

Staff recommends $912,768 General Fund for FY 2005-06. This figure reflects the base of $894,871 inflated by the addition of a 2.0 percent community provider rate increase pursuant to JBC policy. This results in a $17,897 General Fund increase for FY 2005-06.

Alternatives to Inpatient Hospitalization at the Mental Health Institute at Fort Logan

The Community Connections Inpatient (CCI) unit was an unlocked 27 bed unit that served as a "step down" from other adult units at the Mental Health Institute at Fort Logan. It was targeted for closure because it provided the lowest intensity of care at Fort Logan. It utilized physical therapy, behavioral programs, medication administration education and practice, occupational therapy, and intensive hygiene programs to raise the patient's level of functioning to match their anticipated placement. It also served as a "testing ground" for community placement for persons with dangerous behaviors and patients with a history of repeated recidivism. Patients also often had significant medical issues. In order to save the state significant amounts of General Fund, the Community Mental Health Centers took over the program on July 1, 2003, at which time the then existing program at Fort Logan was closed. This line item was adjusted in the FY 2003-04 to separate the Medicaid from the non-Medicaid (Indigent) clients. The JBC also divided the program into Medicaid and non-Medicaid, consistent with the restructuring of the budget by eligibility type. As such, as of the FY 2003-04 supplemental, funding in this line item (within this section) is for the non-Medicaid clients (indigent) only. The request is for $583,481 General Fund for FY 2005-06.

Staff recommends $595,151 General Fund for FY 2005-06. This figure reflects the base of $583,481 inflated by the addition of a 2.0 percent community provider rate increase pursuant to JBC

policy. This results in a $11,670 General Fund increase for FY 2005-06.

Alternatives to the Fort Logan Aftercare Program

The Committee approved the creation of this line item as part of FY 2002-03 supplemental actions. This funding allowed community providers to take over management of the then existing Fort Logan Aftercare program on April 1, 2003, resulting in General Fund savings. The Aftercare Program was created in 1972, and most recently consisted of three residential buildings and a family care program that involved referring clients to therapeutic home placements, similar to foster care placements. The program served 53 severely ill, mostly elderly individuals, many of whom had spent the better part of their lives receiving housing and support through this program. Essentially, the Community Mental Health Centers said that they could provide similar services to those that had been provided by the Institute, but at a substantially lower cost. This line item was adjusted in the FY 2003-04 to separate the Medicaid from the non-Medicaid (Indigent) clients. In that action, the JBC also divided the program into Medicaid and non-Medicaid, consistent with the restructuring of the budget by eligibility type. As such, as of the FY 2003-04 supplemental, funding in this line item (within this section) is for the non-Medicaid clients (indigent) only. The request is for $178,766 General Fund for FY 2004-05.

Staff recommends $182,341 General Fund for FY 2005-06. This figure reflects the base of $178,766 inflated by the addition of a 2.0 percent community provider rate increase pursuant to JBC policy. This results in a $3,575 General Fund increase for FY 2005-06.

Enhanced Mental Health Pilot Services for Detained Youth

This funding was eliminated in FY 2003-04 during the figure setting for the Division of Youth Corrections. **As such, funding for FY 2005-06 is neither requested nor recommended.**

> *Please note, however, that the JBC added funding in the FY 2005-06 DYC budget for mental health treatment for detained youth during the DYC figure setting. That funding is for screening youth who need mental health services. The corresponding post-detention funding for FY 2005-06 would be $477,500 General Fund. If it is the JBC's intent to reinstate the DYC mental health program and this corresponding program, an appropriation of $477,500 General Fund would be necessary in this area.*

Mental Health Early Intervention Program

This line item, first funded in FY 1997-98, supported two pilot programs that to-date have served 1,200 children in Boulder and Denver counties. Funding for this line item was eliminated in FY 2003-04. **As such, funding for FY 2005-06 is neither requested nor recommended.**

Juvenile Mental Health Pilot (H.B. 00-1034)

This line item was added in FY 2000-01 through a special bill to fund two pilot mental health programs for youth to be administered by community mental health centers (currently Sterling, Denver). The program provides youth with a history of criminal justice involvement and a serious mental illness with comprehensive mental health treatment services, which, per statute, are to include family-based treatment and low staff to client ratios. The FY 2005-06 Department request is for $350,400 total funds, including $175,200 General Fund and $175,200 cash funds exempt (local funding), a continuation level from FY 2004-05.

Staff recommends $357,408, including $178,704 General Fund and $178,704 cash funds exempt, for FY 2005-06 to continue the research that the General Assembly began. The recommendation includes an increase of $7,008 ($3,504 General Fund) which reflects the addition of a 2.0 percent community provider rate increase pursuant to JBC policy.

The statutorily required report on this program show that two pilot programs covered by this funding served a total of 124 youth through FY 2004. The pilot's report show that the covered youth cost $407,909 less than their matched pairs enrolled in community mental health services for the period of time that they were receiving services. "Career costs" of participants were found to be 42 percent lower than matched comparison youth. Funding for FY 2005-06 allows the pilot and associated research to continue.

Alternatives to Inpatient Hospitalization for Youth

This line item is associated with the reduction of eight (8) adolescent inpatient beds at the Colorado Mental Health Institutes at Pueblo and Fort Logan. Program objectives include averting the hospitalization of youth in a mental health institute by providing necessary community-based services. The funding is distributed to Centennial Mental Health Center (eastern plains) and Colorado West Regional Mental Health Center. These communities were selected because they had the most feasible plans to reduce hospitalizations in their areas. Program objectives include averting hospitalization

of youth in a mental health institute by providing necessary community-based services, among other factors. Centennial Mental Health Center focused on developing residential options and include county departments as partners. Colorado West's project includes the development of a community-based assessment process in partnership with the department of human services and a residential treatment provider. The project utilizes an existing acute treatment unit for children and adolescents and link with St. Mary's Hospital in Grand Junction to provide evaluations of youth. This process is intended to divert youth from hospitalization at St. Mary's and Pueblo. The request is for a continuing level of $246,282 General Fund for FY 2005-06.

Staff recommends $251,208 General Fund for FY 2005-06. This sum includes an increase of $4,926 General Fund associated with the addition of a 2.0 percent community provider rate increase pursuant to JBC common policy.

Goebel Lawsuit Settlement

This new section of the Long Bill, reorganized in the FY 2003-04 supplemental, is designed to reflect the mental health program expenditures for the Goebel lawsuit. Previously, funding for the Goebel lawsuit was appropriated in two places. The General Fund was appropriated in the Goebel line item and the Medicaid (capitated) funding was appropriated in the capitation line item and then transferred to the Goebel line item. This created a significant amount of confusion among all parties involved with the budget and was less transparent.

The Goebel line item funds services for 1,600 indigent mentally ill individuals located in northwest Denver. These people suffer from chronic mental illnesses, such as schizophrenia, bipolar disorder, and severe depression, which seriously impair their ability to be self-sufficient. The Goebel case combined two class actions asserting that residents of northwest Denver with chronic mental illness were being denied appropriate services. The City of Denver was to provide housing specified in the Goebel Services Plan and the State was to provide an array of programmatic interventions over the three-year implementation period. In 1993, after 12 years of litigation, the Colorado Attorney General advised the former Department of Institutions, Division of Mental Health, to settle the Goebel case. This was a combination of two class action suits wherein the Court found that the residents of northwest Denver having chronic mental illnesses were being denied appropriate mental health services. The settlement was accepted by the Court and funded by the General Assembly and the Denver City Council. Denver was required to provide the housing specified in the Goebel Services Plan and the State was to provide a broad array of programmatic interventions, including

those needed to support housing over the implementation period. In October 1999, pursuant to a May 1997 Motion for Enforcement proceedings, District Court Judge Morris B. Hoffman issued two decisions about the State's responsibilities on the Services Plan and on the housing component of the settlement.

As noted above, Colorado's Goebel appropriation is currently required and services specified by court order[1]. The current Goebel *program* costs portion of the appropriation is $17.7 million total funds, including $11.9 million net General Fund[2]. **In the last decade, the State will have paid $169.3 million total funds (including $117 million net General Fund) for Goebel program expenses.** The FY 2005-06 request basically continues the Goebel funding from the FY 2004-05 levels, with a line item transfer only.

The current Goebel program uses a *fee-for-service* and hours based management model. This is a contrast with the way many other mental health services are provided in Colorado; the bulk of community mental health care (which is Medicaid funded) services have been provided using a managed care model for the last decade.

Time Frame of Court Order

The State's obligation under the current Goebel lawsuit settlement agreement requires that the State successfully meet the requirements **for consecutive four month period blocks for a period of two years**. If one of the four month periods is not successfully met by the state, then the two year "clock" starts ticking again. After years of defining the parameters and requirements in court, it appears that the state has been in compliance thus far.

The court monitor found that the state had complied in its last four month period for the mental health portion of the services, which ended January 2005. There is, however, still one "team's" funding and services which is still outstanding and ends in May. The dual diagnosis portion (mental illness and substance abuse) of the court order requirement ends February 2006.

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[1] *AREVALO V. COLORADO DEPARTMENT OF HUMAN SERVICES*, CASE NO. 81 CV6961.

[2] Program costs only; these figures exclude Departmental administrative costs for comparability to prior years.

The JBC should be aware that the Attorney General's Office will seek a motion for partial satisfactory judgment this May.

The table on the following page shows the time lines and the requested FY 2005-06 budget by program.

DEPARTMENT OF HUMAN SERVICES
Mental Health and Alcohol and Drug Abuse Division
FY 2005-06 Figure Setting
JBC WORKING DOCUMENT - DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

	FY 2004-05	FY 2005-06	
Total Goebel Appropriation/Request	18,119,086	18,119,086	TOTAL
	6,301,591	6,301,591	GF
	11,817,495	11,817,495	CFE
Goebel Substance Abuse (7-1-04 to 6-30-05)	3,127,167	2,084,778	TOTAL
Note: FY 2005-06 Pro-rated for Eight Months (7-1-05 to 2-30-06)	809,179	539,453	GF
	2,317,988	1,545,325	CFE
Core Goebel Program (Appropriation Minus Goebel Substance Abuse)	14,991,919		TOTAL
	5,492,412		GF
	9,499,507		CFE
Core Goebel Program 7-1-04 to 1-31-05 (Core Goebel Program Pro-rated for Seven Months)	8,745,286		TOTAL
	3,203,907		GF
	5,541,379		CFE
Total Fiscal Year (Goebel Substance Abuse + Core Goebel Program 7-1-04 to 1-31-05)	11,872,453	2,084,778	TOTAL
	4,013,086	539,453	GF
Note: FY 2005-06 Only Goebel Substance Abuse for Eight Months	7,859,367	1,545,325	CFE

It is important to note that even though the court order for core services ends in January 2005 and the substance abuse programs in February 2006, the Department intend to maintain services for both programs at current levels in order to avoid future litigation.

Department Goebel Request for FY 2005-06

The request is for $17,620,992 total funds ($5,803,497 General Fund and $11,631,290 net General Fund, including the portion contained in the Medicaid request) and 2.0 FTE. The request includes a decrease of $500,000 in this line item associated with Decision Item #12 for the Department. This sum is instead transferred to ADAD to maintain the federal MOE for FY 2005-06. The transfer of the $500,000 is not a cut to the Goebel program, just a transfer of the Goebel funding.

- **Decision Item #12 -- $544,090 total funds Department-wide ($294,090 cash funds exempt and $250,000 federal funds**.

  Decision Item #12 does many things in the ADAD program. It seeks to spend additional Persistent Drunk Driver program (PDD) cash fund moneys and to transfer funds from other areas. These transfers include $500,000 General Fund transferred from the Goebel appropriation and $194,859 that would have otherwise been requested for the Colorado Department of Transportation for its media campaign. These moneys are requested instead to be appropriated in the Alcohol and Drug Abuse Division in order to bump up the federal MOE. The following table delineates the requested increase, with the portion applicable to this line item (Goebel) highlighted.

Overview of Decision Item #12 ADAD Request				
	Total	**GF**	**CF**	**FF**
(1) ADAD Request				
Expansion of Youth Prevention Programs	$30,000		$30,000	
Increase in the Model DUI Curriculum Training (adds to appropriation base of $17,940)	831		831	
Web-based Compliance Tracking System (for tracking compliance of DUI clients)	68,400		68,400	

DEPARTMENT OF HUMAN SERVICES
Mental Health and Alcohol and Drug Abuse Division
FY 2005-06 Figure Setting
JBC WORKING DOCUMENT - DECISIONS SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

Overview of Decision Item #12 ADAD Request				
	Total	**GF**	**CF**	**FF**
(1) ADAD Request				
Transfer Amount Previously for CDOT Media Campaign to ADAD Instead [1/]	194,859		194,859	
Increase of Federal Block Grant Spending Authority	250,000			250,000
Transfer of Goebel Lawsuit Settlement Dollars	500,000	500,000		
Total ADAD	$1,044,090	$500,000	$294,090	$250,000
(2) Mental Health Community Programs, Goebel Lawsuit Settlement	($500,000)	($500,000)		
Total Department of Human Services - Mental Health and ADAD Impact	**$544,090**	**$0**	**$294,090**	**$250,000**

[1/] The Department of Transportation was appropriated $100,000 in FY 2004-05. It has not requested any funding for FY 2005-06. This sum represents the share for the media campaign that, in theory, it would have received if not for the transfer of funding to ADAD.

The FY 2005-06 budget request reflects an increase of $500,000 General Fund in the ADAD program. This sum is not a net increase in General Fund; instead this sum is transferred from the Goebel lawsuit program line item. This transfer helps the expenditure of a greater sum of money in ADAD count toward the federal MOE. However, these moneys do not represent a net increase in capacity in the state. The funds merely help maintain the MOE base.

With respect to the transfer of General Fund to the ADAD division, staff recommends the transfer of $250,000 General Fund to the ADAD division from the Goebel line item for FY 2005-06 in order to maintain the MOE. [*Should the JBC wish to add increases in General Fund of $250,000 or more in ADAD beyond the staff ADAD recommendation, then staff would recommend that this transfer not take place - as it would not be necessary for the*

federal MOE - and that the funding stay with the Goebel program.]

For the Goebel line item, staff recommends $18,219,146 total funds, including $6,168,540 General Fund and $12,050,607 cash funds exempt, including $11,888,698 Medicaid cash funds exempt and $161,909 transferred from Vocational Rehabilitation, and 2.0 FTE. This recommendation takes the FY 2004-05 Long Bill appropriation of $18,119,086 total funds, adds $1,553 General Fund associated with FY 2004-05 salary survey, adds $950 General Fund associated with FY 2004-05 performance based pay, reduces $597 associated with the application of a 0.2 percent base reduction. To the program base, staff recommends a transfer of $250,000 General Fund to the ADAD division for maintenance of the ADAD FY 2005-06 MOE to prevent the loss of federal funds and staff has applied a 2.0 percent community provider rate increase to the remaining base. The 2.0 percent community provider rate increase adds $115,043 direct General Fund and $233,112 Medicaid cash funds exempt which also includes $116,556 General Fund within it, for a net General Fund impact of the COLA of $231,598 ($115,043 direct General Fundplus $116,556 Medicaid GF).

Future of Goebel Program Structure

Staff is recommending a footnote to be added to have the Department assess the future of the current Goebel program given that the legal requirements for the bulk of the funding appear to be ending soon. The footnote follows up on the FY 2005-06 JBC staff briefing issue on the Goebel program and asks how the funding mechanisms and program outcomes may be changed to improve outcomes.

For instance, given the events of the past few months, staff became concerned that without the banner of a court order, the CMS might find that the approx. $11,000 per Goebel person cost paid would be a "supplemental payment" and disallow it, potentially leaving the state responsible for the expenses. Particularly given the poor communication between the Department of Health Care Policy and Financing and the Department of Human Services, not to mention CMS, where would a post-court order Goebel expenditure fall from a CMS point of view? Based on this issue, JBC staff convened a meeting of staff at the two departments and is confident that they will proceed to review the issues and ensure compliance with CMS.

N Department of Human Services, Mental Health and Alcohol and Drug Abuse Division, Mental Health Community Programs, Goebel Lawsuit, Goebel Lawsuit Settlement -- The Department is requested to report on the status of the court order and state compliance. The Department is also requested to provide a report detailing any programmatic changes that will be necessary once the state is no longer governed by a court order, including but not limited to

changes in categorizing expenditures pursuant to federal funds indicated by the Centers for Medicare and Medicaid Services and changes in service modality to improve outcome measures. This report is requested to be provided to the Joint Budget Committee by no later than November 1, 2005.

Residential Treatment for Youth (H.B. 99-1116)

This program was added by House Bill 99-1116. House Bill 99-1116 established the "Child Mental Health Treatment Act" through July 1, 2003. The program provides parents the option of residential services for mental health treatment without going through the local county departments of social services or the courts to receive such services. The program provides funding to assist families in placing their children in residential treatment centers (RTCs) when their children are not categorically eligible for Medicaid based on income criteria nor suitable for a placement based on "dependency and neglect" criteria. Funding helps to cover initial costs of treatment and room and board costs for children who are subsequently expected to obtain Medicaid eligibility based on a disability and their temporary placement in the residential treatment center.

Last year, two pieces of legislation were passed that affected this program: H.B. 04-1421 (tobacco funding) and S.B. 04-65 (authorization for the program which assumed the passage of H.B. 04-1421). H.B. 04-1421 specifically established a sum of money that would be available for utilization for the program.

H.B. 04-1421 (tobacco bill which funded the program): With respect to the Department of Human Services, increases the appropriation for mental health, residential treatment for youth by $508,521 cash funds exempt–$90,389 from the tobacco litigation settlement cash funds and a $418,132 transfer from the Department of Health Care Policy and Financing comprised of $209,066 tobacco funds and $209,066 federal funds. (In total, $299,455 tobacco cash funds exempt are appropriated.)

S.B. 04-65 (authorization for the program): Extends the H.B. 99-1116 Child Mental Health Treatment Act to July 1, 2009. The bill contains an effective date that provides that S.B. 04-65 takes effect upon passage except that the provisions addressing the fiscal mechanisms (Sections 3, 5, and 6 of the bill) do not take effect if H.B. 04-1421 (tobacco bill) becomes law.

For FY 2004-05, the Department had requested a supplemental of $43,255 Medicaid funds including $21,628 net General Fund and $21,628 federal funds. Given the potential volatility of the funding based on a few high need cases, staff had concerns in January that the funding increase might be premature, but promised the Committee to keep an eye on it.

Staff is now recommending a FY 2004-05 supplemental increase of $64,274 Medicaid including $32,137 General Fund and $32,137 federal funds. If approved, this funding would be added in a FY 2004-05 supplemental add-on to the FY 2005-06 Long Bill. The Department provided the following explanation for the increases:

> The Medicaid costs for the Child Mental Health Treatment Act have exceeded estimates due to a number of factors. The first, and primary reason, for the anticipated over expenditure is due to the high number of youth served through the program this year. In FY 03/04, the program served a total of 21 youth, with 9 of those youth being new admissions during the year. Through 2/23/05 the program has served 20 youth (with 12 being new admissions), and has 2 pending referrals who have been approved but not yet placed. Based on the rate of enrollment so far this year, we anticipate that additional youth will be referred to the program creating a much higher than anticipated number of youth served.
>
> Another factor in the high Medicaid costs is the higher than average caseload. In previous years, the average number of youth being served at any time in the program has been between 11 and 13. This year, however, that average has been higher, with an average of 13-15 youth in the program at any time. One reason for this is the rate of referral. In FY 03/04, the 9 new admissions were spaced throughout the year. This year, however, 10 of the 14 new referrals to the program were admitted in the first 5 months of the year. Another contributing factor to the higher caseload is the length of stay. To date, 6 youth served through the program have had the length of stay extended by a number of months. Although there are individual circumstances for each extension, lack of appropriate resources for post-residential services (and funding available for these resources) is certainly a contributing factor.

For FY 2005-06, the Department's request is $551,776 total funds which includes a budget amendment for $43,255 Medicaid funds including $21,628 net General Fund and $21,628 federal funds. This includes the following:

- $209,066 tobacco cash funds exempt that is used to match $209,065 federal funds for a total of $418,131 Medicaid cash funds exempt. The remainder of the estimated $299,455 annual allocation of the tobacco funds ($90,389) is applied toward the family payment amount.

- $43,255 Medicaid cash funds, including $21,628 net General Fund and $21,628 federal funds.

Staff recommends $562,812 total funds (including $472,423 Medicaid cash funds exempt and $27,128 net General Fund) for FY 2005-06. Staff's recommendation includes the following:

HB 99-1116 program as funded in H.B. 04-1421 (tobacco bill)

FY 2005-06 estimate of tobacco revenue	299,472
Less family offset	-90,389
Total Tobacco available for Medicaid	209,083
Medicaid tobacco piece	209,083
Medicaid FF match to tobacco	209,083
Total Tobacco-Funded Medicaid Available	418,166
FY 2004-05 Medicaid appropriation base	418,132
FY 2005-06 Budget Amendment	43,255
2.0% COLA for FY 2005-06 JBC policy	11,036
Total FY 2005-06 Medicaid Need	472,423
Total Medicaid Needed for FY 2005-06	472,423
Total Tobacco-Funded Medicaid Available	418,166
Shortfall of Tobacco Medicaid	-54,257
Total "Regular" Medicaid	54,257
General Fund	27,128
Federal Funds	27,127
Total Line	562,812
Less family offset	-90,389
Total Medicaid Line Item	472,423

50% State Match:	236,211
-- Tobacco portion of CFE	209,083
-- General Fund portion of Medicaid CFE	27,128
50% federal Match:	236,211

As reflected above in the calculations, the recommendation for FY 2005-06 assumes $562,812 total funding including $43,255 requested in the budget amendment to address increased caseload and utilization of the program and $11,036 Medicaid cash funds for a 2.0 percent community provider rate increase pursuant to Committee policy. Of this sum:

- $90,389 of the allocation of the tobacco funds is requested and recommended to be applied toward the family payment amount. When deducted from the $562,812 this leaves $472,423 in Medicaid funding needed.

- Of the $472,423 in Medicaid funding, $236,211 of a state match is required. Based on the calculations, $209,083 tobacco cash funds exempt are available from the $299,472 annual tobacco FY 2005-06 allocation for the Medicaid match. The remainder of the state's 50 percent match ($27,128) is covered by the General Fund. [$472,423 * 50% = $236,211 less $209,083 = $27,128].

In short, the H.B. 04-1421 does not appear to be covering 100 percent of the program's costs for either FY 2004-05 or FY 2005-06. This additional sum is covered with Medicaid funding that includes a 50 percent net General Fund impact. Staff has discussed with the Office of Legislative Legal Services the use of General Fund to pay for this program given that the tobacco bill anticipated covering all of the expenditures and since the legislation did not prohibit the expenditure and given that it was an entitlement created with a singular and non-changing source of funding. Based on this discussion, staff believes the additional expenditure is authorized and, given the entitlement nature of the program, required.

Mental Health Institutes

The state operates two hospitals for the severely mentally ill: the Fort Logan Mental Health Institute, located in Denver, and the Pueblo Mental Health Institute. These institutes are administered by the Department of Human Services. The FY 2004-05 budget for the institutes is $80.7 million to maintain 534 beds or appx. 9,000 patients, including the churn in and out of the institutes.

Over the last decade, expenditures for the state mental health institutes have been severely affected by a loss of patient-based revenue, stemming from a decline in the number of patient hospitalizations. The number of beds used at the institutes declined by about a third in the last decade, from 813 in FY 1994-95 to 534 in FY 2004-05. This declining level of patient hospitalization is attributable to two primary factors: (1) changes in the delivery of mental health services resulting from managed care; and (2) the "deinstitutionalization" of clients into a community setting. The use of managed care for mental health services has resulted in fewer hospitalizations in the institutes as mental health providers seek to provide lower cost alternative services in the community. The trend toward "deinstitutionalization" has resulted in shorter hospital stays as patients are moved more quickly to community settings for treatment, instead of being treated through lengthier stays in an institutional setting.

	FY 99-00 Actual	FY 00-01 Actual	FY 01-02 Actual	FY 02-03 Actual	FY 03-04 Approp.*	FY 04-05 Approp.*
Institute Budget	$74,647,222	$76,076,161	$80,538,488	$79,762,631	$80,364,881	$80,738,596
FTE	1,273.5	1,268.0	1,316.6	1,286.4	1,235.3	1,246.2
Ft. Logan Avg. Daily Census	198	196	188	171	138	153
Pueblo Avg. Daily Census	510	502	494	439	390	381
Total Avg. Daily Census*	708	697	682	610	528	534
Change in Funding	N/A	$1,428,939	$4,462,327	($775,857)	$602,250	$373,715
Change in FTE	N/A	(5.5)	48.6	(30.2)	(51.1)	10.9
Change in Census	N/A	(11)	(16)	(72)	(82)	6

*Census based on data through April 2004; projections adjusted for bed closures. FY 2004-05 increase in FTE reflects annualization of FY 2003-04 FTE increase (offset in FY 2003-04 by bed closures).

FY 2004-05 and FY 2005-06 Requests

The Department has submitted requests for $6,663,934 in additional General Fund for FY 2004-05 and FY 2005-06 combined.

The Department has submitted four (4) FY 2004-05 supplementals for the mental health institutes. These FY 2004-05 supplementals total $3,113,143 total funds, including $2,887,689 General Fund for FY 2004-05.

The FY 2004-05 supplementals requested include the following:

1. $1,184,541 General Fund for past year Fort Logan RTC payments -- FY 2002-03 and FY 2003-04 accounts receivable.
2. $807,269 General Fund for a mental health institute personal services shortfall.
3. $1,121,333 General Fund for an operating expenses shortfall deemed attributable to pharmacy increases.
4. A net request of $0, but a decrease of $225,454 General Fund associated with revenue/financing changes at the institutes.

The Department also submitted four (4) FY 2005-06 budget amendments for the mental health institutes totaling $3,707,224 total funds, including $3,776,245 General Fund (with $244,341 of cash fund reductions).

The FY 2005-06 budget amendments for the institutes include the following:

1. $807,269 General Fund for a mental health institute personal services shortfall.
2. $961,333 General Fund for an operating expenses shortfall deemed attributable to pharmacy increases.
3. $1,766,662 total funds ($2,011,003 General Fund) for revenue and financing changes at the institutes.
4. $171,960 total funds (including a savings of $3,360 General Fund) for a CT scanner at the MHI - Pueblo.

The staff presentation takes these requests in the order presented above and discusses both FY 2004-05 and FY 2005-06 together when the requests are the same.

- **FY 2004-05 Supplemental request for the Mental Health Institute at Fort Logan for $1,184,541 General Fund for FY 2002-03 and FY 2003-04 Accounts Receivables.**

Mountain Star is a 20-bed residential treatment center (RTC) located at the Colorado Mental Health Institute at Fort Logan (CMHIFL). Services are available to Division of Youth Corrections (DYC) and any Colorado county department of social services. Under an intra-agency agreement with DYC, Mountain Star maintains 5 beds for mentally ill youth who are committed to DYC. Mountain Star has served mentally ill adolescents from approximately 15 Colorado counties over the past 6 years, with the majority coming from the Denver-Metro area. Mountain Star serves an average of 47 cases per year.

This FY 2004-05 supplemental request has two components related to the Mental Health Institute at Fort Logan, specifically the Residential Treatment Center (RTC).

✓ First, the request seeks to add $438,155 General Fund to cover a FY 2002-03 receivable.

✓ Second, the request seeks $746,386 General Fund to cover a FY 2003-04 past receivable. The FY 2003-04 funding was neither requested by the executive in the Long Bill nor appropriated by the General Assembly and is now sought.

FY 2002-03 funding shortfall (current receivable) of $438,155 General Fund

The request seeks to add $438,155 General Fund to cover a FY 2002-03 receivable. This funding problem was found during a State Auditor's Office (SAO) audit. The problems that this request highlight are too broad and numbered to detail. Staff finds that this request is symptomatic of extraordinary problems at hand.

Apparently the problem stems from a refinancing of the line item requested by the executive branch during FY 2002-03 supplementals (two years ago). The refinancing that the executive sought and the JBC and the legislature approved **was never implemented by the executive branch**. The reasons for this failure to implement (administer) the appropriation include confusion (the Department of Health Care Policy and Financing apparently had questions about the appropriation that were not

resolved by the executive and the OSPB and Department of Human Services submitted a Medicaid refinancing without the oversight and approval of HCPF that did not appear to include a correct funding methodology), inaction (apparently the Department of Human Services failed to "bill" the funding appropriated to Health Care Policy and Financing for this purpose), and expenditure for other purposes (apparently the Department of Health Care Policy and Financing expended the money intended for the MHI RTC on a lawsuit settlement related to one of its providers). All in all, an extraordinary situation.

In FY 2002-03, the RTC at the Mental Health Institute at Fort Logan was refinanced as part of the Governor's so-called 4.0 and 6.0 percent budget reduction items. The FY 2002-03 General Fund dollars for the RTC was removed and instead Medicaid was added to capture prior year's uncompensated costs (the difference between the actual cost and the amount that had been paid for this entity). A Medicaid appropriation comprised of half General Fund and half federal funds was appropriated to the Department of Health Care Policy and Financing. The cash funds exempt spending authority with which to receive this Medicaid sum from HCPF was appropriated to the Department of Human Services, Mental Health Institute (Fort Logan RTC).

Apparently, the sum of money appropriated at the Department of Health Care Policy and Financing for the Department of Human Services to pay for Fort Logan was never accessed by the Department of Human Services, creating the current problem. The funding wasn't accessed for a variety of reasons, briefly noted above.

While the original sum in FY 2002-03 was funded as Medicaid, the request is made as General Fund. According to the request, "HCPF is not certain that RTC certified as part of the state plan and therefore Medicaid eligible." This RTC has been funded since around 1998. Hence, the request uses General Fund instead of Medicaid, thus doubling the General Fund cost.

This series of errors, confusion, and lack of proper communication has led to what is now requested as a General Fund payment by the General Assembly during a time of great fiscal crisis. The situation is symptomatic of executive problems in communication and technical follow-through.

Additionally, for FY 2003-04, in keeping with a trail of financial errors, apparently the financial data supporting the FY 2003-04 appropriation (and continued forward) assumed financing that was not actualized in the Long Bill to pay the institutes.

Staff recommends that the JBC approve an FY 2004-05 supplemental for $1,184,541 General Fund. Staff recommends that this funding be provided on a one-time basis in a separate line item entitled "Payment for FY 2002-03 and FY 2003-04 Accounts Receivables at the Mental Health Institutes". This request was submitted in January and the JBC wrote a letter to OSPB asking them to look at it. Nothing has changed since that time in the dollar request except that $772,974 of the original request is broken out and requested instead in a separate request (FY 2004-05 MHI revenue adjustment). Staff believes that there is a funding shortfall carried forward as a liability from prior years, a problem stemming back to financing request approved in FY 2002-03 and the many errors that occurred in administering the financing after this. Since these problems have already occurred, the General Assembly does not appear to have a choice on whether to relieve the funding restriction. Such problems during a continuing time of General Fund shortfalls simply add to the state's fiscal woes.

- **$807,269 General Fund for a mental health institute personal services shortfall.**

The Department of Human Services has submitted a supplemental for FY 2004-05 for $807,289 General Fund and a budget amendment for FY 2005-06 of the same amount ($807,289) to cover a personal services budget shortfall. The request is based on a budget shortfall that was discovered too late in the year. The Department's request is based on the following assumptions/calculations:

Department Request for FY 2004-05	
Total Reported Year Shortfall (beginning July 1, 2004)	2,060,745
Less Savings for Staffing Adjustment at Pueblo MHI 1/1/05	(1,014,972)
Subtotal Shortfall	1,045,773
Less Surplus (Savings) at Fort Logan	(238,484)
Total FY 2004-05 Shortfall	807,289

The Budget Amendment for the mental health institutes assumes the same figures for FY 2005-06:

Department Request for FY 2005-06	
Total Year Shortfall (beginning July 1, 2005)	2,060,745
Less Savings for Staffing Adjustment at Pueblo MHI 1/1/05	(1,014,972)
Subtotal Shortfall	1,045,773
Less Surplus (Savings) at Fort Logan	(238,484)
Total FY 2005-06 Shortfall	807,289

The Department reports that increased nurses salaries have led to the financial problems. The Department indicates that it has attempted to stay at pace with market rates for nurses and with its contractor costs, which have also increased. The request cites reductions in FY 2002-03 and FY 2003-04 as contributing to the current year expenditure shortfall.

With respect to the explanation that nursing salary increases have driven the budget shortfalls, the MHI are trying to increase nursing salaries to keep pace with the market. However, a review of the Department's budget submission indicates the following:

- The amount expended and budgeted for nurses salaries has not notably changed between FY 2002-03 and FY 2003-04 or FY 2004-05. If a nurse salary problem is driving the shortfall, one would see the budget increasing in this area. To the contrary, it is not evident in the budget.

- The average nurse salary in the budget is currently quite close to Denver Health (average nurse salary is $54,735). Denver Health substantially increased nursing salaries and paid for most of it through the increased client revenue sources that it was able to bill through having more nurses on staff. It is important to note that Denver Health did not receive a funding increase from the City of Denver. The average nurse salary reported in the mental health institutes' budget submission is the following (excluding PERA and benefits):

  FY 2002-03 $53,090 avg. cost per nurse FTE
  FY 2003-04 $53,040 avg. cost per nurse FTE
  FY 2004-05 $53,307 avg. cost per nurse FTE

Given that performance based pay and salary survey were funded by the General Assembly for FY 2004-05, the JBC may find it notable that the average nurse salary only increased by 1.0 percent in FY 2004-05 ($53,307 compared to $53,040).

The budget submission indicates that "existing nursing and direct care positions are funded by the General Assembly at the minimum of the salary range". This is incorrect based on practice and the Department's budget submission to the General Assembly. The General Assembly might fund a new FTE in a piece of legislation at the bottom of the range; however, there has not been new legislation affecting nurses in the mental health institutes for years. The Department's own budget submission shows the range in nurse salaries with a high of $91,290 for a Nurse VI.

Staff compared the Department's figures for nurse salaries in the November 1 budget submission to the FY 2005-06 Compensation Survey. This analysis found that on an average cost basis by classification category (e.g., Nurse III, or Nurse VI), the mental health institute average salary is 32 percent higher than the minimum salary reported in the Compensation Survey. When calculated by the number of nurse FTE in each category, this shows that the institutes have funding totaling $3.4 million over the minimum range. As such, the statement that the General Assembly has funded the mental health institutes nurses at the minimum of the range is incorrect.

The Department has not provided any calculation or information to show the true reasons why it has mismanaged its budget. Obviously, its main reason provided for needing the increase (historical increases in nurse salaries) does not withstand basic analysis using the Department's own budget submission.

Other than the questionable rationale for the request, staff is extremely concerned that the financial oversight and management controls failed at the Department of Human Services, leading to this problem.

The Department indicates it took action in January to manage the Mental Health Institute budget. This action included elimination of the staffing pool at the Mental Health Institute at Pueblo to mirror the staffing levels at Fort Logan. However, had this action occurred on July 1st, the Mental Health Institutes would have a surplus, not a deficit for the General Assembly to fund:

Estimate for FY 2004-05 Had Action Occurred Early to Manage Budget	
Total Reported Year Shortfall (beginning July 1, 2004)	2,060,745

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Estimate for FY 2004-05 Had Action Occurred Early to Manage Budget	
Less Savings for Staffing Adjustment at Pueblo MHI 7/1/04	(2,029,944)
Subtotal Shortfall	30,801
Less Surplus (Savings) at Fort Logan	(238,484)
Total FY 2004-05 Shortfall (Surplus/Savings)	(207,683)

As a result of the need for timely fiscal management in response to projected budget shortfalls, staff is recommending that the JBC approve the following two actions to ensure that the financial management of the Department of Human Services, Mental Health Institutes is performed correctly:

1. **Footnote for monthly reporting**. According to the Department staff, expenditures at the mental health institutes are even each month at approximately 1/12 of the year's expenditures for July, 1/12 for August, 1/12 for September, and the like. Staff recommends that the JBC add the following footnote to provide for the financial oversight by the JBC:

   N Department of Human Services, Mental Health and Alcohol and Drug Abuse Division, Mental Health Institutes -- It is the intent of the General Assembly that the Mental Health Institutes manage its fiscal operations within the appropriation made by the General Assembly. To that end, the Department of Human Services is requested to provide to the Joint Budget Committee a monthly report by no later than the 15th of the subsequent month, beginning July 1, 2005. Said report is requested to include the following: (1) a reconciliation of the month's mental health institute expenditures; (2) a calculation of any shortfall for that month; (3) an estimate of any potential estimated shortfalls anticipated; (4) an annualized estimate based on the month(s) reported; and (5) a fiscal management plan of actions planned to ensure that the mental health institutes can manage within its budget.

2. **SAO Audit**. There has not been a performance audit at the Mental Health Institutes in 12 years. Staff believes that, regardless of whether the JBC wishes to fund the request, the JBC should request an audit on the financial management and controls by the Office of the State Auditor. Staff has discussed this recommendation with the SAO.

The sole option that the Department has presented for the JBC's consideration if the request is not funded is a closure of 92 inpatient beds. This is an interesting singular option given that the direct care staff (308.5 FTE) plus the forensics staff (375.3) total 683.8 FTE -- out of a base of 1,195.2 total FTE. As such, about 40 percent of the institute budget is non-direct care and non-forensics FTE. As a result of the fiscal mismanagement of the mental health institutes, the Department did not present as an option the reduction of administration or other non-direct care staff. It went first to bed closures and presented this in its request as the only option (other than funding the request).

Reasons to Fund the Request

- The mental health institutes have not received inflationary increases for its contractual medical services for three years. Based on the JBC's common policy inflators for FY 2005-06 (2.5 percent for medical etc) that would be $250,000 for the personal services line. Multiplied by three years approximates the personal services shortfall. The mental health institutes must pay competitive contractual rates in order to access the high level of expertise the institutes require.

- The mental health institutes received a 1.0 percent across the board reduction in FY 2003-04 that resulted in a $730,263 reduction in the mental health institutes budget. This request would help eliminate the impact of that reduction upon the institutes.

- The mental health institutes serve an extremely vulnerable and needy clientele. Forcing the Department to bear some of the costs could have an impact on client care, depending on the solution the Department makes.

Reasons Not to Fund the Request

- The FY 2004-05 portion of the request does not meet supplemental criteria. This criteria includes the following: (1) emergency; (2) technical error in the Long Bill; (3) new data that was not available; and (4) unforeseen contingency. The Department's request has checked off "new data" for the FY 2004-05 supplemental. When staff inquired as to what the new data is, the Department responded that the new data is that they have a shortfall in the budget. Under this definition, there is not a supplemental request in the state that would not meet supplemental criteria. By definition, the need would be the criteria hence eliminating any true meaning to the criteria established by the JBC.

- All agencies within state government were treated the same in the JBC common policy of the last three years. There have not been over-expenditures commensurate with the reductions throughout state government.

- The Department is funded with a myriad of administrators, budget analysts, fiscal managers, whose job is to make sure that the institutes manage their budget. The only way to require actual management is to eliminate the safety net of a General Fund reprieve.

- The most significant net reductions (dollar and percent) in the mental health budget occurred in the area of the Behavioral Health Organizations (BHOs). They also receive the bulk of mental health funding. The BHOs have not over-expended their budgets such that they have requested that the General Assembly provide an appropriation. Instead, they have had to take action and manage their budgets. If the mental health institutes budget shortfall is funded, what message does this send to the state's community providers that are required to manage within their budgets?

- Given that the General Assembly is seeking to ask the voters for some TABOR relief, should fiscal management problems at the Colorado Department of Human Services be rewarded with additional General Fund in such times of shortfalls?

The Department of Human Services has $1.0 million in transfer authority whereby it can transfer moneys at the end of the year to cover its shortfalls. Staff recommends that for FY 2004-05, that the requested amount of $807,269 be divided in half and that half be covered by $403,635 funded by a bailout of the financial management problems with General Fund and that half be covered through internal transfers from within the Department.

Staff recommendation on the personal services FY 2004-05 $807,269 supplemental and FY 2005-06 $807,269 budget amendment. Given the vulnerability of the clients and the institutes, staff is recommending that half of the request be funded despite the fiscal management problems ($403,645 General Fund) for FY 2004-05 only. The Department would have to cover the other half through internal management ($403,645). Funding is not necessary in FY 2005-06 if the institutes continue the efficiencies they note in the request forward. Staff believes that this is probably an oversight in the FY 2005-06 request. Staff is recommending, however, a deviation to the JBC's common policy for a 0.2 percent base reduction.

If *calculated correctly*, the Budget Amendment should have assumed the following for FY 2005-06 --

using the Department's own calculations in the budget submission:

FY 2005-06 Request with Full Year Fiscal Management Calculated	
Total Year Shortfall (beginning July 1, 2005)	2,060,745
Less Savings for Staffing Adjustment at Pueblo MHI 1/1/05 Annualized for full year in FY 2005-06 ($1,014,972 Half Year *2)	(2,029,944)
Subtotal Shortfall (Surplus)	30,801
Less Surplus (Savings) at Fort Logan	(238,484)
Total FY 2005-06 Shortfall (Savings)	(207,683)

This results in a difference (savings) of General Fundfor FY 2005-06 of $1,014,972 (difference between the $807,289 positive General Fundrequest and the $207,683 savings calculated). However, staff is not recommending that the Mental Health Institutes budgets be reduced for FY 2005-06. Indeed, this savings should be used to fund the other budget pressures that the Institutes have. Staff is similarly not recommending the JBC policy on the addition of a 0.2 percent base reduction for the institutes to reflect a vacancy savings factor. This recommendation for an exception will eliminate a savings of $138,276 total funds. As such, the MHI should have $345,959 in surplus for FY 2005-06 compared to the request ($207,683 plus $138,276 not taken).

- **FY 2004-05 Operating Expenses [Pharmacy] Request of $1,121,333 General Fund and FY 2005-06 request of $961,333 General Fund.**

The request seeks $1,121,333 General Fund for FY 2004-05 for operating expenses, requested to address pharmaceutical increases. The budget amendment for FY 2005-06 is $961,333 General Fund.

The request indicates that institute pharmaceutical costs are projected to increase 31 percent over the FY 2003-04 expenditures and that no flexibility exists in the institutes' operating expenses line items to absorb the increase. Clients are sicker since the institutes were downsized in the mid1990s and a shift to community treatment. The request indicates the following:

> . . . in FY 1999-00 and FY 2000-01 the institutes transitioned from "typical" anti-psychotic drugs to "atypical" anti-psychotic drugs (medications based on categorically

different biochemical processes.) These newer medications were not available in generic form and, therefore, translated to significant increases in pharmaceutical costs.

The request compared a selection of pharmaceuticals for the first quarter of 2004 ($429,419) to the first quarter of 2005 ($541,316).

The request nets out $80,000 of the Department's stated "need" in FY 2004-05 and $240,000 in FY 2005-06 because the Department has indicated to JBC staff that it will not accept DOC patients whereby their costs are greater than the Colorado Access pharmaceutical amount. Upon query as to whether this change would result in a decrease in DOC revenues in total, the Department indicated that no adjustments were factored into the revenue change request.

Staff recommendation on the pharmaceutical increase.

Staff has some concerns about the request. First, while the request does a good qualitative job of discussing changes in the system from 1999-00, it does not really explain the reasons for a 32 percent cost per client increase. It is not disputed that atypical pharmaceuticals cost more and that five years ago the institutes moved to provide these more appropriate medications.

In the information staff obtained from the Department there is an increase from five doses of the Risperdal Injectable in FY 2003-04 to 539 in FY 2004-05. The cost of Risperdal solution is $3.36 per dose. It is $330.17 per dose when the injectable is used. About $335,164 (30 percent) of the total request can be tied to this one example.

Moreover, the atypicals, the primary point of discussion in the request accounts for $668,830 annualized in increases when the July to December 2004 period is compared to the same period the year before.

Staff compared the Fort Logan and Pueblo respective mental health institute average pharmaceutical costs per person over a four year period. It appears that the significant driver in the request is a 42 percent per person increase in the cost of the drugs at Pueblo (compared to a 7.7 percent increase at Fort Logan). This increase is as compared to the respective FY 2003-04 base.

Reasons <u>to Fund</u> the Request

- Increases for medical or pharmaceutical costs have not been funded in three years at the

mental health institutes. The Medicaid anti-psychotic pharmacy budget has experienced increases far beyond the increases funded by the General Assembly at the mental health institutes including 21 percent price-only increases from FY 03 to FY 04. Funding it in Medicaid and not in the mental health institutes means that the same type of cost component is funded differently based on the financing mechanism.

- Proper medications are critical to ensuring the highest level of functioning for these needy clients. Failure to adequately fund pharmaceuticals would result in less programmatic benefits for the clients. With the injectables, clients are more likely to stay on their medications.

Reasons Not to Fund the Request

- The Department cannot fully quantify why the costs have increased so dramatically in some areas and not in others. For instance, why are Pueblo's MHI costs increasing per person 42 percent when they are only increasing 7.7 percent at Fort Logan both on their respective different bases? The increases shown are greater than those explained.

- Certain costs appear to be questionable (e.g., injectable Risperidone) and may require more careful management. If the increases are funded, the Department will have no incentive to improve its cost management. If the Department wants to endeavor to begin a new pharmacy process, it should first request funding for that rather than proceed and then overspend its budget. The latter is not the process for budgeting in Colorado and is not conducive to maintaining a balanced budget.

Staff recommends an increase of $532,671 General Fund for FY 2004-05 and the same amount for FY 2005-06 to be added to the operating expenses line item (in addition to the JBC's pharmacy common policy for FY 2005-06). Staff's calculation assumes a FY 2004-05 7.7 percent increase per client (request) for Fort Logan and a 15.6 percent increase per client for Pueblo based on the data provided on total pharmacy costs and census. Staff does not believe that the Department of Human Services has appropriately and completely proved the efficacy of the reasons for the increases nor did it show the attempts to manage its pharmaceutical increases more efficiently. The examples of the higher cost injectables being used is such a case in point. In making this recommendation, staff considered the following alternative calculations as a gauge:

- The Department's request was denied by OSPB in December. After that time, it is staff's understanding that the Department implemented corrective action. This corrective action's

fiscal impact has yet to be fully realized, the details thereof were not available as of the writing of this document.

- Applying the Fort Logan pharmaceutical increase per person for FY 2004-05 to the Pueblo mental health institute FY 2003-04 base, with the other changes requested, results in a total need of *$328,156*.

- A comparison of first quarter FY 2003-04 and first quarter FY 2004-05 anti-psychotics yields an increase of $111,900 which, when annualized to a full year would require a FY 2004-05 supplemental of *$447,600*.

- A comparison of the first two quarters of FY 2003-04 (July - December) and the first two quarters of FY 2004-05 (July - December) anti-psychotics yields an increase of $334,415 which, when annualized to a full year would require a FY 2004-05 supplemental of *$668,830*.

Total Pharmaceuticals

	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Fort Logan Pharmaceutical	1,008,708	1,051,163	996,002	1,188,757
Census	188	171	138	153
Pharmaceutical Cost per Person	$5,365	$6,147	$7,217	$7,770
$ Increase per person	N/A	$782	$1,070	$552
% Increase per person	N/A	14.6%	17.4%	7.7%
Pueblo Pharmaceutical	2,886,590	2,634,702	2,620,322	3,629,336
Census	494	439	390	381
Pharmaceutical Cost per Person	$5,843	$6,002	$6,719	$9,526
$ Increase per person	N/A	$158	$717	$2,807
% Increase per person	N/A	2.7%	11.9%	41.8%
Total	3,895,298	3,685,865	3,616,324	4,818,093
Census	682	610	528	534
Pharmaceutical Cost per Person	$5,712	$6,042	$6,849	$9,023
$ Increase per person	N/A	$331	$807	$2,174
% Increase per person	N/A	5.8%	13.4%	31.7%

Total Pharmaceuticals - Scenario I: Pueblo at Fort Logan FY 04-05 Growth Rate

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	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Fort Logan Pharmaceutical	1,008,708	1,051,163	996,002	1,188,757
Census	188	171	138	153
Pharmaceutical Cost per Person	$5,365	$6,147	$7,217	$7,770
$ Increase per person	N/A	$782	$1,070	$552
% Increase per person	N/A	14.6%	17.4%	7.7%
If grow Pueblo FY 2004-05 at Fort Logan Rate				
Pueblo Pharmaceutical	2,886,590	2,634,702	2,620,322	2,755,723
Census	494	439	390	381
Pharmaceutical Cost per Person	$5,843	$6,002	$6,719	$7,233
$ Increase per person	N/A	$158	$717	$514
% Increase per person	N/A	2.7%	11.9%	7.7%
Total	3,895,298	3,685,865	3,616,324	3,944,480
Census	682	610	528	534
Pharmaceutical Cost per Person	$5,712	$6,042	$6,849	$7,387
$ Increase per person	N/A	$331	$807	$538
% Increase per person	N/A	5.8%	13.4%	7.8%
Impact (FY 2004-05 Need)				328,156
Difference to Request				(793,613)

Total Pharmaceuticals - Scenario II: Pueblo at FY 04-05 Ft Logan Cost Per Person

	FY 01-02	FY 02-03	FY 03-04	FY 04-05
Fort Logan Pharmaceutical	1,008,708	1,051,163	996,002	1,188,757
Census	188	171	138	153
Pharmaceutical Cost per Person	$5,365	$6,147	$7,217	$7,770
$ Increase per person	N/A	$782	$1,070	$552
% Increase per person	N/A	14.6%	17.4%	7.7%
If grow Pueblo FY 2004-05 at Fort Logan Rate				
Pueblo Pharmaceutical	2,886,590	2,634,702	2,620,322	2,960,238
Census	494	439	390	381
Pharmaceutical Cost per Person	$5,843	$6,002	$6,719	$7,770
$ Increase per person	N/A	$158	$717	$1,051
% Increase per person	N/A	2.7%	11.9%	15.6%

Total	3,895,298	3,685,865	3,616,324	4,148,995
Census	682	610	528	534
Pharmaceutical Cost per Person	$5,712	$6,042	$6,849	$7,770
$ Increase per person	N/A	$331	$807	$921
% Increase per person	N/A	5.8%	13.4%	13.4%
Impact (FY 2004-05 Need)				532,671
Difference to Request				(669,098)

- **Revenue Adjustment for the Mental Health Institutes:**

  FY 2004-05: Decrease of $225,454 General Fund and increase of $225,454 for CF/CFE Combined for FY 2004-05. ***Net total dollar change: $0.***

  FY 2005-06: Increase of $2,011,003 General Fund and decrease of $244,341 for CF/CFE Combined for FY 2005-06. ***Net total dollar change: $1,766,662.***

FY 2004-05: Decrease of $225,454 General Fund and increase of $225,454 for CF/CFE Combined (Decrease of $688,190 cash funds; increase of $913,644 cash funds exempt for a net increase of $224,454) for FY 2004-05. Net total dollar change: $0.

The methodology for funding the mental health institutes uses patient revenues and backfills the remaining sum with General Fund. As such, the more patient revenues that are available, the less General Fund needs to be funded. Conversely, when patient revenue sources falter, this drives a need for more General Fund.

The FY 2004-05 request contains many components that are driving a revenue or financing change. The significant portions of the request include the following:

- Decrease of patient fees totaling $569,121 cash funds; decrease of school district funds of $76,252 cash funds.

- Decrease of $353,250 cash funds exempt from Medicaid fee-for-service payments.

- Increase of $1,940,300 from the Behavioral Health Organizations (BHOs), from $5,320,325

to $7,260,625 cash funds exempt.[3]

- Increase in Medicare patient payments of $852,370 cash funds exempt.

- The correction for the uncompensated RTC Medicaid costs of $639,776 is part of the total $878,749 cash funds exempt revenue decrease. This corrects the base.

- A decrease of 675,023 in cash funds exempt revenue from the Department of Corrections, from $5,338,796 to $4,663,773.

Staff recommends the FY 2004-05 request for a decrease of $225,454 General Fund and decrease of $688,190 cash funds, and an increase of $913,644 cash funds exempt with no net total dollar change. The summary of the financing change is shown below:

FY 2004-05 Mental Health Institute Financing Change			
	FY 2004-05 Appropriation	FY 2004-05 Recommendation	FY 2004-05 Difference
Total	80,738,596	80,738,596	0
General Fund	59,979,406	59,753,952	(225,454)
Cash Funds	2,098,079	1,409,889	(688,190)
Cash Funds Exempt	18,661,111	19,574,755	913,644
Medicaid Cash Funds	*4,876,070*	*4,522,820*	*(353,250)*
Medicaid General Fund	*2,438,035*	*2,261,410*	*(176,625)*
Net General Fund	*62,417,441*	*62,015,362*	*(402,079)*

[3] These moneys are still assumed to be transferred from HCPF; to the degree that they are transferred from the BHOs, these moneys will be non-exempt cash funds and will drive a TABOR impact.

FY 2005-06 budget amendment: Increase of $2,011,003 General Fund and decrease of $244,341 for CF/CFE Combined for FY 2005-06. Net total dollar change: $1,766,662.

The budget amendment for FY 2005-06 created a quandary for staff because a financing change never results in a total dollar change. Indeed, staff inquired as to the reasons for the net increase in dollars and the net increase in General Fund disproportionate to the changes in cash funds as an offset and received different answers throughout the Department and executive. *Clearly, this request was sought and approved without anyone knowing why the total figures were requested. It is still not known and the request is clearly incorrect.*

FY 2005-06 Mental Health Institute Financing			
	FY 2005-06 November Base Request	Requested Base	FY 2005-06 Difference
Total	82,505,258	84,271,920	1,766,662
General Fund	61,266,513	63,277,516	2,011,003
Cash Funds	2,159,572	1,921,382	(238,190)
Cash Funds Exempt	19,079,173	19,073,022	(6,151)
Medicaid Cash Funds	*4,957,583*	*4,604,333*	*(353,250)*
Medicaid General Fund	*2,478,791*	*2,302,166*	*(176,625)*
Net General Fund	*63,745,304*	*65,579,682*	*1,834,378*

As the above table shows, the request does not merely refinance the November base, it adds new moneys.

Staff's recommendation attempts to correct the FY 2004-05 POTS correction that the JBC approved in January. This request sought to change the FY 2004-05 EDO funded salary survey and other POTS that the Department's EDO had incorrectly financed as MHI revenues and thus spent the same moneys twice. However, when the Department requested the FY 2004-05, it failed to also request a corresponding budget amendment for FY 2005-06 for the mental health institutes. This budget

amendment was necessary since the FY 2004-05 POTS are "allocated" in FY 2005-06 to the institutes. If the FY 2004-05 funding is incorrect, it is incorrectly allocated in FY 2005-06 to the institutes. Staff's recommendation seeks to correct this and is shown below.

FY 2005-06 Mental Health Institute Financing			
	FY 2005-06 November Base Request	Corrected FY 2005-06 November Base Request	FY 2005-06 Difference
Total	82,505,258	82,505,258	0
General Fund	61,266,513	61,990,409	723,896
Cash Funds	2,159,572	1,859,889	(299,683)
Cash Funds Exempt	19,079,173	18,654,960	(424,213)
Medicaid Cash Funds	*4,957,583*	*4,522,820*	*(434,763)*
Medicaid General Fund	*2,478,791*	*2,261,410*	*(217,381)*
Net General Fund	*63,745,304*	*64,251,819*	*506,515*

Summary of FY 2005-06 Financing Recommendation

For FY 2005-06, there is a $1,287,107 General Fund difference between the request ($2,011,003 General Fund) and the staff recommendation ($723,896 General Fund). There is also a $1,766,662 difference in total dollars between the request ($1,766,662) and recommendation ($0).

It is staff's understanding that the Department concurs with staff's recommendation/calculations for FY 2005-06 financing of the mental health institutes. Staff is still at a loss to explain the basis for the request's total funds or General Fund.

- **$171,960 total funds (including a savings of $3,360 General Fund) for a CT scanner at the MHI - Pueblo.**

The FY 2005-06 request is for $171,960, including a decrease of $3,360 General Fund and an increase of $175,320 cash funds exempt. This request annualizes a FY 2004-05 supplemental for this initiative that was approved by the JBC in January.

The funding increase is requested to lease CT scanner equipment at the Mental Health Institute at Pueblo (State Hospital). The purpose of the lease would be to provide CT scans for Department of Corrections patients at the State Hospital. Currently, the Department of Corrections transports its clients to hospitals to receive CT scans. Thus, the DOC spends its money at private facilities for these services. The addition of the scanner would save the Department of Corrections transportation dollars with fewer guards necessary. (This savings cannot be discretely quantified and "realized" however, according to the Department of Corrections.) The costs include the following:

Area	FY 2005-06 (Budget Amendment)
Scanner lease payment	$169,224
Service contract	46,739
Total lease cost	215,963
Radiologist	24,000
Supplies	18,000
Computer lease/ITS infrastructure costs	645
Total	258,608
Less MHI-Pueblo scan expenditures at other providers	(86,648)
Net expenditure request	**$171,960**
Total revenues (15 scans a month * $974 per scan)	**175,320**

Area	FY 2005-06 (Budget Amendment)
Net difference (General Fund savings)	**(3,360)**

The request indicates that the Department of Corrections will utilize 15 scans a month (at $974 per scan). These 15 scans a month (180 a year) will pay for the cost of the equipment. To the degree that the scans fall below this number, the Mental Health Institute's appropriation will fall short. To the degree that the scans occur above the 15, the Mental Health Institute will receive additional DOC dollars to offset its General Fund appropriation. It is staff's understanding from the Department of Corrections that the assumption of 15 scans a month is an appropriate one.

The request contains a couple of technical errors.

- First, the request seeks the money at the mental health institute at Pueblo when it should be appropriated to the General Hospital line item.

- Secondly, the request seeks all of the funding as operating expenses when some of the expenditures sought are personal services in nature.

Staff's recommendation seeks to correct these problems. The Department concurs with these corrections. Thus, staff's recommendation funds the full request but in different line items than those requested.

The staff recommendations on the FY 2005-06 initiatives discussed above are incorporated into the specific line item recommendations which follow on the next pages.

Staffing Summary: Mental Health Institutes

Mental Health Institutes	FY 2003-04	FY 2004-05	FY 2005-06	FY 2005-06
Administration	16.9	12.3	12.3	12.3
Administrative Support	71.8	81.2	81.2	81.2
Mental Health Clinicians and	424.6	422.0	422.0	422.0
Nursing	291.9	323.8	323.8	323.8
Clinical and Medical	112.8	118.4	118.4	118.4
Food Service	97.7	106.0	106.0	106.0
Social Workers	52.6	56.9	56.9	56.9
Public Safety	32.9	35.4	35.4	35.4
Physical / Occupational Therapy	17.9	20.5	20.5	20.5
Medical Records	18.2	18.7	18.7	18.7
Total	1,137.3	1,195.2	1,195.2	1,195.2

[1/] *Reflects FTE for the division, including all personal services line items.*

Personal Services

The FY 2005-06 request is for $73,402,804 total funds and 1,195.2 FTE. The request includes $807,269 (General Fund) associated with the budget amendment for personal services, and an increase of $1,766,662 total funds for financing changes, discussed above.

Staff recommends $71,217,835 total funds and 1,195.2 FTE for the personal services calculation. Staff's recommendation does not include funding for FY 2005-06 to cover anticipated personal services shortfalls experienced in FY 2004-05. As noted in the discussion earlier, when annualized, the Department's FY 2004-05 January 2005 actions to help accommodate the FY 2004-05 personal services budget overage should result in a surplus, not a shortfall, in FY 2005-06. Additionally, staff has not recommended a net dollar increase attributable to financing changes in the mental health institutes since financing affects the type of dollars used not the total number of dollars used. Staff believes that the request contained errors in it and still cannot reconcile.

Staff's recommendation takes the FY 2004-05 Long Bill base of $69,138,283, adds $1,160,810 of FY 2004-05 salary survey, and $668,056 of FY 2004-05 performance based pay, makes financing adjustments that carry no net total dollar impact, and adds $250,686 associated with the JBC's common policies on medical increases for FY 2005-06. In a departure from JBC common policy, staff has not applied the 0.2 percent base reduction. This has an impact of $138,276 total funds and $102,008 net General Fund.

Operating Expenses

The request is for $8,974,380 for operating expenses for FY 2005-06. The request includes $171,960 for the DOC CT scanner, $89,376 associated with a decentralization and refinance of telecommunication systems lease payments (discussed in the DHS IT figure setting on March 8th), and $961,333 for pharmacy costs.

Staff recommends $8,526,378. Staff's recommendation takes the $7,751,711 FY 2004-05 Long Bill base appropriation, adds $532,671 General Fund associated with staff's pharmacy recommendation, adds $89,376 General Fund to reflect the DHS IT figure setting, and adds $152,620 for JBC common policy inflators for pharmacy and food. The request includes $171,960 for the DOC CT scanner in this line item but it should have been requested in the State Hospital line item, not in the mental health institutes. In addition, staff is recommending the consolidation of personal services and operating expenses into a single line item. This is intended to give the Department more flexibility to manage its expenditures.

Personal Services	$71,217,835
Operating Expenses	8,526,378
Total - Mental Health Institutes	$79,744,213

General Hospital Personal Services

This line item funds the General Hospital's personal services in Pueblo. The request is for $2,742,649 for FY 2005-06.

Staff recommends $2,786,964 and 36.0 FTE. Staff's recommendation takes the $3,683,800 FY 2004-05 Long Bill base, adds FY 2004-05 salary survey of $39,540, adds $24,677 for FY 2004-05 performance-based pay, reduces $5,368 associated with a 0.2 percent base reduction pursuant to Committee policy, adds $24,000 cash funds for the personal services portion of the CT scanner request, and adds $20,315 General Fund associated with the application of the JBC's common policy inflators for FY 2005-06 (e.g., medical).

General Hospital Operating Expenses

The request is for $322,658 for FY 2005-06. This is a continuing level from the FY 2004-05 Long Bill (pre-supplemental) amount.

Staff recommends $475,250 for General Hospital Operating Expenses. This recommendation takes the FY 2004-05 Long Bill appropriation of $322,658 General Fund, adds $147,960 total funds for the CT scanner (requested by the Department in the institutes line item), and adds $4,632 for the JBC's FY 2005-06 common policy inflators. In addition, consistent with the FY 2005-06 recommendation for the institutes, staff is recommending the consolidation of the personal services and operating expenses line items for the General Hospital.

Personal Services	$2,786,964
Operating Expenses	475,250
Total - General Hospital	$3,262,214

Educational Programs

Local school districts and the Department of Education provide funding for educational services at the institutes. The Department's request is for $645,088 and 15.0 FTE.

Staff recommends $652,570 and 15.0 FTE. The source of funding for this line item is primarily from per pupil operating revenue and special education funds transferred from the school districts. The reduction compared to prior years reflects the reduced census for children and adolescents. Staff's recommendation takes the $627,865 FY 2004-05 Long Bill appropriation, adds FY 2004-05

salary survey of $10,107, adds FY 2004-05 performance based pay of $8,372, applies a reduction of $1,256 associated with a 0.2 percent base reduction pursuant to Committee policy and adds $7,482 for the JBC common policy inflators, pursuant to Committee policy.

Indirect Cost Assessment

The Department requests continuation funding for this line item of $214,279. These dollars reduce General Fund in the Executive Director's Office. **The recommendation is pending final JBC decisions in this division and in the Department.**

Donated Commodities

This line item was discontinued in FY 2002-03. **Funding for FY 2005-06 is neither requested nor recommended.**

Library Grant

This line item was discontinued in FY 2002-03. **Funding for FY 2005-06 is neither requested nor recommended.**

(D) Alcohol and Drug Abuse Division

This section contains appropriations for alcohol and drug abuse prevention, intervention, and treatment services. Treatment, prevention, and detoxification services are provided primarily through four managed service organizations, each of which is responsible for managing the provision of services to residents of a specified geographic area of the state. They contract with 34 treatment providers in six geographic areas. The division also funds and oversees involuntary commitments into detoxification facilities and substance abuse treatment programs. The bulk of the total division funding is federal funds, with the substance abuse prevention and treatment block grant being the primary source. Cash funds sources include the Drug Offender Surcharge Fund, the Law Enforcement Assistance Fund, and the Persistent Drunk Driver Cash Fund, among others. Cash funds exempt sources include the Judicial Department's Alcohol and Drug Driving Safety program and the Department of Public Safety. Last year, the Alcohol and Drug Abuse Division provided funding for 23,064 shelter/detoxification admissions and 11,098 received substance abuse treatment. An additional 21,766 clients received drinking driver DUI education and therapy.

General Colorado-based Substance Abuse Information

According to the January 2001 "Shoveling Up" Columbia University study:

- *Colorado spends $1,542 in "shoveling up" the burden of substance abuse for each $1.00 spent on prevention, research, and treatment. Approximately 12.4 percent of Colorado's state 1998 budget or $846M was used to "shovel up." This includes corrections, courts, child and family assistance, education, and health care.*

According to the Division's October 2004 annual report to the Health and Human Services Committees:

- *Colorado ranks second in the nation for overall severity of substance abuse.*
- *Over 250,000 Coloradans abuse alcohol or drugs.*
- *Colorado ranks 16 percent higher than the nation's average in consumption of alcohol.*
- *Alcohol abuse is Colorado's #1 drug problem. Among youth, the preferences are #1 (alcohol), #2 (marijuana), followed by significant crystal meth in pockets of the state.*
- *Colorado ranked second in the nation for past month use surveyed of marijuana and illicit drugs.*
- *Colorado spent the least on treatment, prevention and research of all 47 states studied*

according to the Columbia University study cited in the report.

(1) Administration - Program Administration

Staffing Summary

ADAD	FY 2003-04 Actual	FY 2004-05 Appropriation	FY 2005-06 Request	FY 2005-06 Recomm.
Management	0.8	1.0	1.0	1.0
Support Staff	6.0	6.0	6.0	6.0
Program and Grants Administration	18.4	19.0	19.0	19.0
Statisticians	0.5	1.0	1.0	1.0
Total	25.7	27.0	27.0	27.0

Reflects the FTE for the entire division.

Personal Services

The request is for $1,768,128 total funds and 27.0 FTE. The funding in the request seeks a continuation of the bottom-line financing methodology where all the administrative costs are shown by total in the line items and by funding source at the bottom-line.

Staff recommends $1,768,128 total funds, including $37,805 cash funds, $305,351 cash funds exempt, and $1,424,972 federal funds and 27.0 FTE. Staff's recommendation takes the $1,705,384 Long Bill appropriation, adds $40,244 for FY 2004-05 salary survey, adds $25,911 for performance-based pay, and reduces $3,411 associated with the application of a 0.2 percent base reduction pursuant to Committee policy. In addition, staff recommends that the line items be financed individually like the recommendation provided earlier for Division Administration. This methodology is also consistent with the way the rest of the line items in the ADAD division are funded.

Operating Expenses

The request is for $248,342 for FY 2005-06, an increase of $68,400 cash funds over the FY 2004-05 appropriation. This increase is attributable to a portion of Decision Item #12 which affects many line items, one of which is the Operating Expenses line item.

- **Decision Item #12 for an increase of $294,090 cash funds exempt and $250,000 federal funds for ADAD. This request covers many line items and programs.**

  The Alcohol and Drug Abuse Division's budget request for FY 2005-06 seeks to spend additional Persistent Drunk Driver program (PDD) cash fund moneys and to transfer funds from other areas. These transfers include $500,000 General Fund transferred from the Goebel appropriation and $194,859 that would have otherwise been requested for the Colorado Department of Transportation for its media campaign. These moneys are requested instead to be appropriated in the Alcohol and Drug Abuse Division in order to bump up the federal MOE. The following table delineates the entire requested increase governed by Decision Item #12. The portion affecting this line item (Operating Expenses) is shaded.

Overview of ADAD Request				
	Total	**GF**	**CF**	**FF**
(1) ADAD Request				
[Persistent Drunk Driver Program line item] Expansion of Youth Prevention Programs	$30,000		$30,000	
[Persistent Drunk Driver line item] Increase in the Model DUI Curriculum Training (adds to appropriation base of $17,940)	831		831	
[*Operating Expenses line item*] Web-based Compliance Tracking System (for tracking compliance of DUI clients)	68,400		68,400	
[Persistent Drunk Driver line item] Move CDOT Media Campaign to ADAD Instead [1/]	194,859		194,859	
[*Treatment & Detox Contracts line item*] Increase of Federal Block Grant Spending Authority	250,000			250,000
[*New line item*] Transfer of Goebel Lawsuit Settlement Dollars	500,000	500,000		
Total ADAD	$1,044,090	$500,000	$294,090	$250,000

Overview of ADAD Request				
	Total	**GF**	**CF**	**FF**
(1) ADAD Request				
(2) Mental Health Community Programs, Goebel Lawsuit Settlement	($500,000)	($500,000)		
Total Department of Human Services - Mental Health and ADAD Impact	**$544,090**	**$0**	**$294,090**	**$250,000**

[1/] The Department of Transportation was appropriated $100,000 in FY 2004-05. It has not requested any funding for FY 2005-06. This sum represents the share for the media campaign that, in theory, CDOT would have received if not for the transfer of funding to ADAD.

Regarding the request for $68,400 for web-based compliance tracking system from cash funds from the Persistent Drunk Driver Cash Fund. The Department indicates that there are 29,000 to 32,000 new DUI offenders each year served through the state through the respective units. The current paper-based system requires the units to mail monitoring reports to over 400 DUI licensed treatment sites about every 60 days. Since most treatment provider serve multiple judicial districts there can be 1,000 to 2,000 monitoring reports sent to treatment providers on a bimonthly basis.

Staff recommends the request for $68,400 cash funds for FY 2005-06. This is a one-year expenditure that staff anticipates would add efficiencies to the system both at the department and provider level. The use of the moneys is consistent with the statutory goals for expenditure from the Persistent Drunk Driver Cash Fund and the Department has done an appropriate job of showing that the Fund can cover this expenditure.

Staff recommends $248,342 total funds for Operating Expenses, including $80,188 cash funds, $145,814 cash funds exempt, and $22,340 federal funds. Of this sum, $68,400 cash funds is associated with Decision Item #12's investment and will not be continuing in FY 2006-07.

Performance Outcome Management Module Information System
Fiscal year 2002-03 was the second and final year of this information technology project, which facilitates the collection of service data from providers and allows ADAD to relate client data with service provision, treatment outcome, and cost of care. The new system is now complete, and all funding is eliminated. The Division reports that this system has allowed it to get information more quickly and thus make better decisions. **Funding for FY 2005-06 is neither requested nor recommended.**

Other Federal Grants
This line item includes the portion of various federal grants that may be used for personal services and administrative expenses. The request is for a continuing level of $126,500 federal funds for FY 2005-06.

Staff recommends the request for $126,500 federal funds for FY 2005-06.

Indirect Cost Assessment
The Department's request reflects the amount anticipated to be recovered from cash and federal sources. The request is for $243,723. This includes $3,280 in Cash Funds indirect recoveries (from the Law Enforcement Assistance Fund program) and $240,443 in federal indirect cost recoveries (from the federal Substance Abuse Block Grant). These amounts are used to offset General Fund expenditures in the Department of Human Services Executive Director's Office.

Indirect cost is pending the JBC's figure setting decisions for FY 2005-06.

(2) Community Programs (A) Treatment Contracts

The Division contracts with four managed service organizations (MSOs) for the provision of services. The MSO contracts provide for single entry point for services, a coordinated service network, flexible service delivery, and quality assurance and monitoring by the MSOs and the Division. The MSOs contract with local community providers for non-hospital detoxification services in six geographic regions.

Treatment and Detox Contracts

This line item incorporates funding for residential and outpatient treatment services and detoxification services provided through the Department's managed service organization contractors. Last year, the Alcohol and Drug Abuse Division provided funding for 23,064 shelter/detoxification admissions and 11,098 received substance abuse treatment. The line item's request includes many changes for FY 2005-06, including:

- A decrease of $250,000 cash funds exempt from the PDD reserves. This amount was funded on a one-time basis in the FY 2004-05 Long Bill to prop up the year's state expenditures in order to maintain the federal MOE in FY 2004-05 after system General Fund reductions of over $900,000 General Fund that year. This funding source is no longer available and is eliminated in the request.

- A decrease of $250,000 cash funds from the Drug Offender Surcharge program. The Drug Offender Surcharge cash fund was funded at a higher level in FY 2004-05 than can be sustained for FY 2005-06 and therefore the reduction is requested in the budget.

- A decrease of $196,637 cash funds exempt transferred from the Department of Public Safety transferred to the ADAD Division. This source of funds does not continue in FY 2005-06.

- An increase of $250,000 federal funds associated with the anticipated federal MOE related to anticipated FY 2005-06 spending. This $250,000 increase is requested as part of Decision Item #12. The following table delineates the entire requested increase governed by Decision Item #12. The portion affecting this line item (Treatment and Detox) is shaded.

Overview of ADAD Request				
	Total	**GF**	**CF**	**FF**
(1) ADAD Request				
[Persistent Drunk Driver Program line item] Expansion of Youth Prevention Programs	$30,000		$30,000	
[Persistent Drunk Driver line item] Increase in the Model DUI Curriculum Training (adds to appropriation base of $17,940)	831		831	

Overview of ADAD Request				
	Total	**GF**	**CF**	**FF**
(1) ADAD Request				
[*Operating Expenses line item*] Web-based Compliance Tracking System (for tracking compliance of DUI clients)	68,400		68,400	
[Persistent Drunk Driver line item] Move CDOT Media Campaign to ADAD Instead	194,859		194,859	
[*Treatment & Detox Contracts line item*] Increase of Federal Block Grant Spending Authority	250,000			250,000
[*New line item*] Transfer of Goebel Lawsuit Settlement Dollars	500,000	500,000		
Total ADAD	$1,044,090	$500,000	$294,090	$250,000
(2) Mental Health Community Programs, Goebel Lawsuit Settlement	($500,000)	($500,000)		
Total Department of Human Services - Mental Health and ADAD Impact	**$544,090**	**$0**	**$294,090**	**$250,000**

Staff recommends the $250,000 federal funds increase assumed in Decision Item #12. This increase helps offset other loss of total funds which would have an impact on treatment and other services.

For the total line item, Treatment and Detoxification Contracts, staff recommends $19,823,970 total funds, including $8,047,704 General Fund, $1,002,616 cash funds, $425,706 cash funds exempt, and $10,347,947 federal funds. Staff's recommendation includes the following:

- A decrease of $250,000 cash funds exempt from the one-time PDD reserves, as requested.

- A decrease of $250,000 cash funds from the Drug Offender Surcharge program, as requested. However, staff is recommending that this loss be backfilled with General Fund of $250,000 for the STIRRT Program because a similar amount of General Fund would be required in the Department of Corrections to replace it. This expenditure would appear to be a more appropriate use of the $250,000. Staff has discussed these DOC figures with the JBC analyst for the DOC program and with the Department of Corrections and they concur. If the General Fund is not reflected herein, it will instead be required in the Department of Corrections. The DOC FY 2005-06 budget request did not reflect the impact of the $250,000 loss of DOS moneys for the STIRRT program and the commensurate caseload prison impact for DOC.

- A decrease of $196,637 cash funds exempt transferred from the Department of Public Safety transferred to the ADAD Division. This source of funds does not continue in FY 2005-06 and is therefore neither requested nor recommended.

- An increase of $250,000 federal funds associated with the anticipated federal MOE related to anticipated FY 2005-06 spending. As noted above, this recommended.

- Staff has applied a 2.0 percent community provider rate increase on the recommended General Fund base of $157,798 General Fund pursuant to Committee policy. No inflators have been applied to the other fund sources as they are fixed.

In short, the staff recommendation is $407,798 General Fund higher than the Department's request. This is solely attributable to the following two factors as noted above: (1) $250,000 General Fund for the STIRRT program to maintain it at FY 2004-05 and prevent DOC increases of a similar amount; and (2) $157,798 General Fund associated with the application of a 2.0 percent community provider rate increase.

<u>Goebel Funding [New Line Item Requested]</u>
The request is for a new line item to reflect only a portion of the Goebel substance abuse funding for FY 2005-06. This request is made in Decision Item #12 and is solely attributable to the goal of maintaining the federal MOE in FY 2005-06 through the transfer to and thus expenditure of funds in ADAD for Goebel substance abuse. According to the Department, if the moneys are not expended in the actual ADAD division, they do not count toward the federal MOE.

The following table delineates the entire requested increase governed by Decision Item #12. The portion affecting this line item (Goebel) is shaded.

Overview of ADAD Request				
	Total	**GF**	**CF**	**FF**
(1) ADAD Request				
[Persistent Drunk Driver Program line item] Expansion of Youth Prevention Programs	$30,000		$30,000	
[Persistent Drunk Driver line item] Increase in the Model DUI Curriculum Training (adds to appropriation base of $17,940)	831		831	
[*Operating Expenses line item*] Web-based Compliance Tracking System (for tracking compliance of DUI clients)	68,400		68,400	
[Persistent Drunk Driver line item] Move CDOT Media Campaign to ADAD Instead	194,859		194,859	
[*Treatment & Detox Contracts line item*] Increase of Federal Block Grant Spending Authority	250,000			250,000
[*New line item*] Transfer of Goebel Lawsuit Settlement Dollars	500,000	500,000		
Total ADAD	$1,044,090	$500,000	$294,090	$250,000
(2) Mental Health Community Programs, Goebel Lawsuit Settlement	($500,000)	($500,000)		
Total Department of Human Services - Mental Health and ADAD Impact	**$544,090**	**$0**	**$294,090**	**$250,000**

Decision Item #12 seeks a new line totaling $500,000 General Fund, transferred on a cost-neutral basis, from the Goebel appropriation in Mental Health Community Programs.

Staff recommends $255,000 General Fund for this line item. This recommendation is predicated on the JBC's approval of an increase of $250,000 General Fund for Treatment and Detox programs as mentioned in that discussion above. Because of the recommendation to add that General Fund to maintain the STIRRT program, not as much money is required to be transferred from the Goebel program line as a result in order to maintain the federal MOE funding. Staff has also applied a 2.0 percent community provider rate increase pursuant to Committee policy. This results in an increase of $5,000 General Fund.

Case Management - Chronic Detox Clients

Funding in this line-item provides intensive case management services in an outpatient setting for individuals who are admitted to detoxification facilities four times or more in a twelve month period, and show poor response to conventional residential and outpatient treatment methods (primarily in the Denver metropolitan area). The Department's request is for a continuing level of funding at $369,166, including $2,283 General Fund and $366,883 federal funds.

Staff recommends $369,212, including $2,329 General Fund and $366,883 federal funds. Staff's recommendation applies a 2.0 percent community provider rate increase which adds $46 General Fund to the base.

Residential Treatment for Women with Dependent Children

This line item, added in FY 2001-02, funds intensive residential treatment services for women. This funding ($670,277) was consolidated with the Treatment and Detox Contracts line item above in FY 2003-04.

High Risk Pregnant Women

Pursuant to Section 26-4-508.2 through 26-4-508.4, C.R.S, the Treatment Program for High-Risk Pregnant Women supports specialized outpatient services for Medicaid eligible pregnant women who are at risk of delivering a baby thus affected by their use of alcohol or drugs. The program is financed with Medicaid dollars. These Medicaid dollars are first appropriated as General Fund and federal funds to the Department of Health Care Policy and Financing, then transferred to the Department of

Human Services as cash funds exempt Medicaid dollars. As such, the funds are shown as cash funds exempt in Human Services -- but the net General Fund (half of the sum) is counted on a statewide basis.

The request includes a budget amendment to increase $334,645 total funds associated with increased utilization of the program. The request is made in two line items, in what appears to be an incorrect way (funding Medicaid in a non-Medicaid program line).

The request attempted to modify the way the FY 2004-05 funding was handled in the H.B. 04-1075 appropriations clause whereby the $47,902 General Fund was not removed from the "Balance of Substance Abuse Block Grant" line item, but rather transferred from there to the Department of Health Care Policy and Financing for match of $47,902 federal funds and transfer back to this line item of $95,805 cash funds exempt Medicaid.

Staff's recommendation seeks to correctly fund the necessary request and uses the HCPF financing request for DHS as a baseline for determining what the Department of Human Services' request should have been. Staff recommends $952,986 Medicaid cash funds exempt with a net General Fund impact of $476,494. The components of this recommendation include the following starting with the original FY 2004-05 Long Bill base appropriation:

- Adds $127,740 Medicaid cash funds exempt ($63,870 net General Fund) for H.B. 04-1075, including $95,805 Medicaid CFE of base funding plus $31,935 Medicaid CFE for annualization of the bill in FY 2005-06.

- Staff recommends a General Fund reduction of $63,870 in the "Balance of Substance" abuse block grant line item to support the H.B. 04-1075 request. Staff believes that this action is what the request meant to do.

- Adds $334,645 Medicaid cash funds exempt ($167,323 net General Fund) for caseload and utilization increases. This funds an increased caseload (46 to 53) and increased length of stay (59.5 days to 64.6 days) for residential treatment of high-risk pregnant women. This continues part of the increase funded in the FY 2004-05 supplemental.

- Adds $18,686 Medicaid cash funds exempt ($9,343 net General Fund) associated with the application of a 2.0 percent community provider rate increase, pursuant to Committee policy.

Given the benefit of providing services such as these to pregnant women, it is anticipated that the funding will result in savings to the health care system.

(B) Other Community Programs

Prevention Contracts
These programs are designed to provide individuals with skills to avoid substance abuse and decrease risk factors linked to substance abuse. The Division contracts with statewide and local prevention programs, providing partial support for services designed to prevent the use of alcohol, tobacco, and other drugs. The Division's prevention strategies include the following: distributing information on the nature and extent of drug use; education; and problem identification and referral. The types of services include mentoring, tutoring, life skills training, parent training, creative arts, education/resource centers, DUI prevention program and employee assistance programs. The federal Substance Abuse Prevention and Treatment block grant requires that at least 20 percent of the block funds be used for preventative services. The request for $3,831,230 includes $5,000 cash funds from the Tobacco Use Prevention Fund and the requested $3,826,330 federal funds from the Substance Abuse Prevention and Treatment Block Grant.

Staff recommends the request for $3,831,230 including $5,000 cash funds from the Tobacco Use Prevention Fund and $3,826,330 federal funds from the Substance Abuse Prevention and Treatment Block Grant. Staff has not applied a 2.0 percent COLA to this line item.

Persistent Drunk Driver Programs
The Persistent Drunk Driver Cash Fund, created by H.B. 98-1334, consists of moneys collected from penalty surcharges on drunk drivers, pursuant to Section 42-3-130.5, C.R.S. The sum ranging, from $25 to $500, is collected by the courts and deposited into the Fund. These surcharges pay the costs incurred by the Department of Transportation regarding persistent drunk drivers and to support programs that are intended to deter persistent drunk driving or intended to educate the public, with particular emphasis on educating young drivers on the dangers of persistent drunk driving. The statute requires the Departments of Transportation, Revenue, and Human Services to coordinate the programs. The Alcohol and Drug Abuse Division is the lead agency in this coordination.

Last year, funding for this was used for the following: DUI prevention programming (mini grants)

for youth throughout the State ($177,250). Other funding is for training for alcohol evaluators who do referrals ($15,000), printing of DUI curriculums ($8,400), and training counselors on the new curriculums (17,940). The request includes $225,690 associated with Decision Item #12 (ADAD) which the JBC is now acquainted with through the discussion of the various line items affected above. Decision Item #12's affect on this line item is highlighted below:

Overview of ADAD Request				
	Total	**GF**	**CF**	**FF**
(1) ADAD Request				
[Persistent Drunk Driver Program line item] Expansion of Youth Prevention Programs	$30,000		$30,000	
[Persistent Drunk Driver line item] Increase in the Model DUI Curriculum Training (adds to appropriation base of $17,940)	831		831	
[*Operating Expenses line item*] Web-based Compliance Tracking System (for tracking compliance of DUI clients)	68,400		68,400	
[Persistent Drunk Driver line item] Move CDOT Media Campaign to ADAD Instead	194,859		194,859	
[*Treatment & Detox Contracts line item*] Increase of Federal Block Grant Spending Authority	250,000			250,000
[*New line item*] Transfer of Goebel Lawsuit Settlement Dollars	500,000	500,000		
Total ADAD	$1,044,090	$500,000	$294,090	$250,000
(2) Mental Health Community Programs, Goebel Lawsuit Settlement	($500,000)	($500,000)		

Overview of ADAD Request				
	Total	**GF**	**CF**	**FF**
(1) ADAD Request				
Total Department of Human Services - Mental Health and ADAD Impact	**$544,090**	**$0**	**$294,090**	**$250,000**

Decision Item #12 funds the media campaign for persistent drunk driving ($194,859) in the ADAD instead of the Department of Transportation. It also adds $30,000 for the youth prevention programs and a small amount ($831) for the curriculum. Together, these items total $225,690 and count toward the federal MOE.

Staff recommends the increase of $225,690 cash funds from the Persistent Drunk Driver Cash Fund. This expenditure is consistent with the statutory directive on the fund and the Department's budget indicates that these moneys can be afforded under the current revenue estimates.

Law Enforcement Assistance Fund (LEAF) Contracts
Funding supports local efforts to prevent persons from driving when using alcohol or other drugs. The funding comes from a $60 fee charged to those persons convicted of a DUI offense. These funds are distributed according to statute [Section 42-4-401, C.R.S.] to the Department of Public Health and Environment for the Implied Consent program, ADAD for community prevention projects, and the Department of Transportation for grants to local law enforcement agencies. The statutes require ADAD to use these funds for a statewide program of public education on driving under the influence, including teacher training and the dissemination of educational curricula. The Department's request is for $250,000, a continuing level of funding from the FY 2004-05 Long Bill appropriation.

Staff recommends the request for $250,000 cash funds from the Law Enforcement Assistance Cash Fund, created in Section 43-4-402 (2), C.R.S.

(c) Other Programs
This section reflects two line items that do not fall within the prior groupings.

Federal Grants

ADAD receives a variety of federal alcohol and drug abuse categorical grants. **The amount recommended of $921,291 reflects an estimate of expenditures for FY 2005-06, a continuation from FY 2004-05.** The cash funds exempt in this line item is associated with a federal grant for which funding is transferred from the Department of Public Safety, Division of Criminal Justice.

Balance of Substance Abuse Grant, Block Grant Programs

This line item includes federal block grant allocations not appropriated elsewhere in the Long Bill. The Division then has the flexibility to allocate funds from this line to any of the Community Programs Treatment Contracts. The block grant requires that 35 percent of the dollars are used for alcohol abuse programs, 35 percent for drug abuse, 20 percent for prevention, and the remaining 10 percent can be applied to any of the three areas. The request is for a continuation level of funding, including $174,900 General Fund and $5,835,392 in federal block grant funds.

Staff recommends $6,013,790 total funds, including $179,398 General Fund and $5,835,392 federal funds. This recommendation assumes the FY 2004-05 appropriation base of $238,770, a reduction of $63,870 General Fund associated with adjustments for H.B. 04-1075 and an adjustment of $3,498 associated with the application of a 2.0 percent community provider rate increase on the remaining base of $174,900 General Fund

FY 2005-06 Footnote Recommendations

Staff recommends the following new footnotes FY 2005-06:

N Department of Human Services, Mental Health and Alcohol and Drug Abuse Division, Administration, Personal Services -- It is the intent of the General Assembly that the Department utilize the appropriation for personal services for its salaries and other related personal services costs and that the Department not bill these expenses to any program line items.

N Department of Human Services, Mental Health and Alcohol and Drug Abuse Division, Mental Health Community Programs, Services for 6,981 Clients -- Funding for this line item includes a 2.0 percent rate increase for community providers.

N Department of Human Services, Mental Health and Alcohol and Drug Abuse Division, Mental Health Community Programs, Services for 6,981 Clients -- Funding for this line item includes $15,371,195 General Fund and $5,698,088 federal funds, including $5,209,448 from the federal block grant. It is the intent of the General Assembly that this money be used solely as a direct services pass-through to community mental health centers, as indicated by the Department of Human Services budget submission to the General Assembly dated November 1, 2004.

N Department of Human Services, Mental Health and Alcohol and Drug Abuse Division, Mental Health Community Programs, Goebel Lawsuit, Goebel Lawsuit Settlement -- The Department is requested to report on the status of the court order and state compliance. The Department is also requested to provide a report detailing any programmatic changes that will be necessary once the state is no longer governed by a court order, including but not limited to changes in categorizing expenditures pursuant to federal funds indicated by the Centers for Medicare and Medicaid Services and changes in service modality to improve outcome measures. This report is requested to be provided to the Joint Budget Committee by no later than November 1, 2005.

N Department of Human Services, Mental Health and Alcohol and Drug Abuse Division, Mental Health Institutes -- It is the intent of the General Assembly that the

Mental Health Institutes manage its fiscal operations within the appropriations made by the General Assembly. To that end, the Department of Human Services is requested to provide to the Joint Budget Committee a monthly report by no later than the 15th of the subsequent month, beginning July 1, 2005. Said report is requested to include the following: (1) a reconciliation of the month's mental health institute expenditures; (2) a calculation of any shortfall for that month; (3) an estimate of any potential estimated shortfalls anticipated; (4) an annualized estimate based on the month(s) reported; and (5) a fiscal management plan of actions planned to ensure that the mental health institutes can manage within its budget.

N Department of Human Services, Mental Health and Alcohol and Drug Abuse Division, Mental Health Institutes -- The Department is requested to evaluate the impact of eliminating the residential treatment center at Fort Logan including the impact on clients, counties, and the General Fund. The report is requested to be provided to the Joint Budget Committee by no later than November 1, 2005.

Staff recommends the discontinuation of the following footnotes FY 2005-06:

3 Department of Corrections, Management, Executive Director's Office Subprogram; Department of Human Services, Mental Health and Alcohol and Drug Abuse Services, Alcohol and Drug Abuse Division and Division of Youth Corrections; Judicial Department, Probation and Related Services; Department of Public Safety, Division of Criminal Justice; and Department of Transportation, Office of Transportation Safety -- State agencies involved in multi-agency programs requiring separate appropriations to each agency are requested to designate one lead agency to be responsible for submitting a comprehensive annual budget request for such programs to the Joint Budget Committee, including prior year, request year, and three year forecasts for revenues into the fund and expenditures from the fund by agency. The requests should be sustainable for the length of the forecast based on anticipated revenues. Each agency is still requested to submit its portion of such request with its own budget document. This applies to requests for appropriation from the Drug Offender Surcharge Fund, the Sex Offender Surcharge Fund, the Persistent Drunk Driver Cash Fund, and the Alcohol and Drug Driving Safety Fund, among other programs.

70 Department of Human Services, Mental Health and Alcohol and Drug Abuse

Services, Alcohol and Drug Abuse Division, Community Programs, Treatment Services, Treatment and Detox Contracts -- It is the intent of the General Assembly that the FY 2004-05 General Fund reduction of $901,872 and its accompanying reduction in federal funds shall be allocated equally between detox contracts and treatment contracts.

HB02-1281

Colorado Legislative Council Staff

STATE
REVISED FISCAL IMPACT

(replaces fiscal impact dated March 22, 2002)

Drafting Number:	LLS 02-0418	**Date:**	April 26, 2002
Prime Sponsor(s):	Rep. Saliman Sen. Owen	**Bill Status:**	Senate Appropriations
		Fiscal Analyst:	Janis Baron (303-866-3523)

TITLE: CONCERNING THE CREATION OF THE COLORADO TRAUMATIC BRAIN INJURY BOARD, AND, IN CONNECTION THEREWITH, INCREASING CERTAIN MOTOR VEHICLE FINES TO PROVIDE MONEYS FOR THE COLORADO TRAUMATIC BRAIN INJURY TRUST FUND.

Fiscal Impact Summary	FY 2002/2003	FY 2003/2004
State Revenues		
Cash Funds	$ 0	$ 763,885
Cash Funds Exempt	Gifts, Grants or Donations	Gifts, Grants or Donations
State Expenditures		
Cash Funds	$ 0	$ 66,703
Cash Funds Exempt — Transfer	0	3,360
Federal Funds	24,326	63,343
FTE Position Change	0.3 FTE	1.0 FTE
TABOR Refund from General Fund estimated at $802,080 in FY 2004-05.**		
Effective Date: January 1, 2003 — Sections 1, 2, 7, and 8 unless a referendum petition is filed 90 days after adjournment. January 1, 2004 — Sections 3, 4, 5, and 6.		
Appropriation Summary for FY 2002/2003: None required; first year costs to support the board can be met with an existing federal grant (these federal funds are not appropriated).		
Local Government Impact: See Local Government Impact section of fiscal note.		

* The six-tier sales tax refund mechanism would increase 105 percent of the increase in any increased cash fund revenue, as per the provisions of HB 99-1001.

Summary of Legislation

The reengrossed bill creates a 13-member Colorado Traumatic Brain Injury Board as a **type 2** board in the Department of Human Services (DHS). The bill sets out appointments to the board, terms of office, duties, and powers. Board members shall not receive compensation for service but shall be reimbursed for expenses related to board activities. The bill creates the Colorado Traumatic Brain Injury Trust Fund to be comprised of gifts, grants, and donations, plus surcharges assessed pursuant to:

- Section 42-4-1301 (9) (g) (IV) — driving under the influence, driving while impaired. Surcharge is set at $15.
- Section 42-4-1701 (4) (e) (I) — speeding violations. Surcharge is set at $10.
- Section 42-4-1701 (4) (e) (II) — speeding violations. Surcharge is set at $12 if collected by a county or municipal court, and of the total amount, $10 is transmitted to the trust fund and $2 is retained by the county or municipality.
- Section 30-15-402 (2) (b) — speeding violations - county ordinances. Surcharge is set at $12, $10 is transmitted to the trust fund and $2 is retained by the county.

Expenditures from the trust fund are stipulated accordingly: (1) approximately 65 percent shall be used for services for persons with traumatic brain injuries; (2) approximately 5 percent shall be used to provide education about traumatic brain injuries; and (3) approximately 30 percent shall be used to support research related to the treatment and understanding of traumatic brain injuries. The board is authorized to contract with an entity to perform all or part of the administrative, eligibility, case management, and claims payment functions relating to the program, and the DHS is required to perform functions not contracted out. The board is authorized to make grants for research related to traumatic brain injuries and to consult with educational institutions or private facilities in Colorado and nationally about the merit of each application for a grant. The bill also:

- requires administrative expenses to be appropriated annually from the trust fund by the General Assembly;
- stipulates that except for initial computer programming costs for the Department of Revenue, no General Fund shall be appropriated for the trust fund and services provided by the trust fund; and
- identifies the priority order for Brain Injury Trust Fund surcharge collections.

As amended by the Senate HECFa Committee, April 25, 2002, changes effective dates (noted in the table on page one of this fiscal note).

State Revenues

It is estimated that the bill will result in $763,885 in new revenue to the Brain Injury Trust Fund for FY 2003-04; 6 months of collections due to effective date of January 1, 2004. Revenue estimates for FY 2004-05 are $1,527,771.

According to information forwarded by the courts to the Department of Revenue, Motor Vehicle Business Group, there were 32,808 convictions for DWI/DWAI in FY 2000-01, and 146,656 convictions for speeding (state and local) during the same period. The fiscal note dated February 14, 2002, identified a range of anticipated revenue under the bill and assumed a 100 percent collection rate. Although Judicial Department data suggest that both assessment and collection rates increase over a 3-year period as courts become accustomed to assessing a new surcharge, this fiscal note

assumes an overall initial and continuing collection rate of 78 percent because the bill as amended requires the Brain Injury Trust Fund surcharge to be collected before the Probation Supervision fee, Alcohol Supervision fee, all fines, court costs, Drug Offender surcharge, and the Persistent Drunk Driver surcharge. The table below identifies revenue to the Colorado Traumatic Brain Injury Trust Fund with a surcharge of $15 on DWI/DWAI convictions, a $10 surcharge on speeding convictions, and a 78 percent collection rate.

Surcharge — 179,464 Convictions	FY 2003-04	FY 2004-05
$15 Surcharge on 32,808 DUI/DWAI Convictions	$ 191,927	$ 383,854
$10 Surcharge on 146,656 Speeding Convictions	$ 571,958	$ 1,143,917
Total - Colorado Traumatic Brain Injury Trust Fund	$ 763,885	$ 1,527,771

Although the bill authorizes the board to accept gifts, grants or donations for purposes of the trust fund, none are identified at this time. Should moneys be received, they would be considered cash funds exempt and not subject to the provisions of TABOR.

State Expenditures

Department of Human Services. The bill is assessed at having a fiscal impact of $20,936 in FY 2002-03 and $126,686 in FY 2003-04. These amounts represent only that which is needed to support the 13-member Colorado Traumatic Brain Injury Board. Cost components for the first two years include:

- *Personal Services and Operating Expenses* — estimated at $15,966 in FY 2002-03 and $36,686 in FY 2003-04. The DHS will require 1.0 FTE Program Assistant II to provide administrative assistance to the board. As amended, the bill requires that initial appointments to the board be made no later than March 1, 2003. Thus, first year costs represent only 4 months of expenditures. Given the board's authority to administer moneys in the trust fund, added staff time may be required in future years for distribution of moneys and data collection.

- *Board Costs* — estimated at $5,000 in FY 2002-03 and $15,000 in FY 2003-04. Board costs include travel, meals, lodging, printing and distribution of policies/procedures, etc.

- *Consultant Services* — estimated at $75,000 in FY 2003-04 and beyond. The board is authorized to contract with an administering entity to perform all of the administrative, eligibility, case management, and claims payment functions of the program. Due to the bill's effective date, consultant services will not be needed

in the first fiscal year. It is assumed year one will be dedicated to promulgating policies and procedures pertaining to program operations.

Potential Trust Fund Expenditures. The bill requires trust fund expenditures accordingly: 65 percent for services for persons with traumatic brain injuries; 5 percent for education about traumatic brain injuries; and 30 percent to support research related to the treatment and understanding of traumatic brain injuries. All administrative costs come "off the top". At this time, annual trust fund expenditures cannot be quantified due to decisions yet to be made by the board.

Funding. The DHS indicates that it is in receipt of a three-year federal grant to address systemic changes in providing services to persons with brain injuries. Although this grant cannot be used to fund direct services, it can be used in both FY 2002-03 and FY 2003-04 for program development activities (approximately $280,000 available). Because surcharge collections begin January 1, 2004, it is assumed that moneys deposited into the Colorado Traumatic Brain Injury Trust Fund will be used to fund half of the program's administrative costs in FY 2003-04 (last 6 months) and all of the program's costs beginning in FY 2004-05.

Judicial Department. The department will transfer surcharge moneys collected to the trust fund. Although programming changes must be made to its ICON system, these changes can be met within existing appropriations.

Department of Revenue. The department indicates a need for $3,360 in FY 2003-04 only for programming changes (80 hours @ $42/hr. = $3,360). The bill requires that General Fund can be used for initial computer programming costs in the department but not for the trust fund and services provided by the trust fund. The fiscal note assumes that trust fund moneys can be used for **all** administrative costs with no General Fund appropriation required.

Local Government Impact

As amended, the bill authorizes a $12 surcharge on speeding violations for those convictions collected by a local authority. Of the $12 collected, $10 is transmitted to the Brain Injury Trust Fund and $2 is retained by the local government. Based on information from the Department of Revenue, there were approximately 101,100 local-level speeding convictions in FY 2000-01. Thus, local governments could realize $78,858 in added revenue in FY 2002-03 and $157,716 in FY 2003-04 (assumes an overall collection rate of 78%). Any local government costs to transmit moneys to the Brain Injury Trust Fund are not noted at this time; costs will vary across the state for both counties and municipalities.

State Appropriations

None required.

Departments Contacted

Human Services	Judicial	Revenue

Department of Human Services MH FY 2004-05 Supplementals

Priority #	Area	Total	GF	CF	CFE	FF	*Medicaid CFE*	*Medicaid GF*	*Net GF*	FTE
							For Information Only			
Supplementals										
NA	Mental Health Institute - RTC	1,184,541	1,184,541	0	0	0	0	0	1,184,541	0.0
NA	Mental Health Institutes - Personal Servi	807,269	807,269	0	0	0	0	0	807,269	0.0
NA	Mental Health Institutes - Pharmacy	1,121,333	1,121,333	0	0	0	0	0	1,121,333	0.0
NA	Mental Health Institutes - Financing	0	(225,454)	(688,190)	913,644	0	(353,250)	(176,625)	(402,079)	0.0
Subtotal Request - Add'l Supplementals		**3,113,143**	**2,887,689**	**(688,190)**	**913,644**	**0**	**(353,250)**	**(176,625)**	**2,711,064**	**0.0**
Staff Recommendation Supplementals										
NA	Mental Health Institute - RTC	1,184,541	1,184,541	0	0	0	0	0	1,184,541	0.0
NA	Mental Health Institutes - Financing	0	(225,454)	(688,190)	913,644	0	(353,250)	(176,625)	(402,079)	0
NA	Mental Health Institutes - Personal Servi	403,635	403,635	0	0	0	0	0	403,635	0.0
NA	Mental Health Institutes - Pharmacy	532,671	532,671	0	0	0	0	0	532,671	0.0
NA	H.B. 99-1116 Adjustment	64,274	32,137	0	0	32,137	0	0	32,137	0.0
Subtotal Recomm - Supplementals		**2,185,121**	**1,927,530**	**(688,190)**	**913,644**	**32,137**	**(353,250)**	**(176,625)**	**1,750,905**	**0.0**
Difference to Request:		(928,023)	(960,160)	0	0	32,137	0	0	(960,160)	0.0

Department of Human Services MH and ADAD FY 2005-06 Decision Items and Budget Amendments

Priority #	Area	Total	GF	CF	CFE	FF	*Medicaid CFE*	*Medicaid GF*	*Net GF*	FTE
							For Information Only			
November 1 Decision Items										
12	ADAD MOE Based Funding	544,090	0	294,090	0	250,000	0	0	0	0.0
Subtotal - Decision Items		544,090	0	294,090	0	250,000	0	0	0	0.0
Budget Amendments										
2A	Mental Health Institutes - Personal Service	807,269	807,269	0	0	0	0	0	807,269	0.0
2B	Mental Health Institutes - Pharmacy	961,333	961,333	0	0	0	0	0	961,333	0.0
NA	ADAD - High Risk Pregnant Women	270,775	(63,870)	0	334,645	0	334,645	215,224	151,354	0.0
NA	Mental Health Institutes - Financing	1,766,662	2,011,003	(238,190)	(6,151)	0	(353,250)	(176,625)	1,834,378	0.0
NA	Mental Health Institutes - CT Scanner	171,960	(3,360)	0	175,320	0	0	0	(3,360)	0.0
NA	H.B. 99-1116 Residential Treatment	43,255	0	0	43,255	0	43,255	21,628	21,628	0.0
NA	Traumatic Brain Injury	1,034,960	0	1,034,960	0	0	0	0	0	1.0
Subtotal - Budget Amendments		5,056,214	3,712,375	796,770	547,069	0	24,650	60,227	3,772,602	1.0
Total Request FY 2005-06 Increases		**5,600,304**	**3,712,375**	**1,090,860**	**547,069**	**250,000**	**24,650**	**60,227**	**3,772,602**	**1.0**
Staff Recommendation										
November 1 Decision Items										
12	ADAD MOE Based Funding	544,090	0	294,090	0	250,000	0	0	0	0.0
Subtotal - Decision Items		544,090	0	294,090	0	250,000	0	0	0	0.0
Budget Amendments										
2A	Mental Health Institutes - Personal Service	0	0	0	0	0	0	0	0	0.0
2B	Mental Health Institutes - Pharmacy	0	0	0	0	0	0	0	0	0.0
NA	ADAD - High Risk Pregnant Women	270,775	(63,870)	0	334,645	0	334,645	167,323	103,453	0.0
NA	Mental Health Institutes - Financing	0	723,896	(299,683)	(424,213)	0	(434,763)	(217,381)	506,515	0.0
NA	Mental Health Institutes - CT Scanner	171,960	(3,360)	0	175,320	0	0	0	(3,360)	0.0
NA	H.B. 99-1116 Residential Treatment	43,255	0	0	43,255	0	43,255	21,628	21,628	0.0
NA	Traumatic Brain Injury	996,761	0	535,063	461,698	0	0	0	0	0.0
Subtotal - Budget Amendments		1,482,751	656,666	235,380	590,705	0	(56,863)	(28,431)	628,236	0.0
Total Recomm. FY 2005-06 Increases		**2,026,841**	**656,666**	**529,470**	**590,705**	**250,000**	**(56,863)**	**(28,431)**	**628,236**	**0.0**
Difference to Request:		(3,573,463)	(3,055,709)	(561,390)	43,636	0	(81,513)	(88,657)	(3,144,366)	(1.0)