

Schedule 13

FY 2018-19 1331 Funding Request

Department of Health Care Policy and Financing

Request Title

1331 Mental Health Insitutes FY 17-18 Overexpenditure

Dept. Approval By: *ABE* 9/6/19 X Supplemental FY 2018-19
 OSPB Approval By: *Sch* 9/6/2018 Budget Amendment 2019-20

Summary Information	Fund	FY 2018-19		2019-20	2020-21	
		Initial Appropriation	Supplemental Request	Base Request	Budget Amendment	Continuation Request
	Total	\$7,709,992	\$0	\$7,709,992	\$0	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$3,854,996	\$0	\$3,854,996	\$0	\$0
	CF	\$0	\$0	\$0	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$3,854,996	\$0	\$3,854,996	\$0	\$0

Line Item Information	Fund	FY 2018-19		2019-20	2020-21	
		Initial Appropriation	Supplemental Request	Base Request	Budget Amendment	Continuation Request
	Total	\$7,709,992	\$0	\$7,709,992	\$0	\$0
	FTE	0.0	0.0	0.0	0.0	0.0
07. Department of Human Services	GF	\$3,854,996	\$0	\$3,854,996	\$0	\$0
Medicaid-Funded Programs	CF	\$0	\$0	\$0	\$0	\$0
Mental Health Institutes	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$3,854,996	\$0	\$3,854,996	\$0	\$0

Auxiliary Data			
Requires Legislation?	NO		
Type of Request?	Department of Health Care Policy and Financing Prioritized Request	Interagency Approval or Related Schedule 13s:	Other



Cost and FTE

- The Department requests an increase of \$7,387,850 total funds, including \$3,694,541 General Fund and \$3,693,309 federal funds to its FY 2017-18 appropriation and requests release of the accompanying appropriation restriction in FY 2018-19.
- The Department exceeded its appropriation for the Mental Health Institutes in the Department of Human Services Medicaid-Funded Programs Long Bill group by the amounts aforementioned.

Current Program

- The State operates two Mental Health Institutes which provide inpatient psychiatric hospital services to citizens of Colorado having a major illness such that the individual cannot be expected to function and/or be treated in the community.
- Both institutes provide a wide variety of assessment and treatment services offered to patients, including individual, group, and family therapy; treatment goal-setting; work therapy; community-readiness skills; medication and health education; education programs; pastoral services; substance abuse education and treatment; and, discharge and aftercare planning.

Problem or Opportunity

- In FY 2017-18, the Department exceeded its appropriation for the Mental Health Institutes appropriation by \$7,387,850 total funds, including \$3,694,541 General Fund and \$3,693,309 federal funds.
- As a result of the overexpenditure, the Department's FY 2018-19 budget will be restricted by those amounts.

Consequences of Problem

- The Department will not have enough funding to provide services to members of its Medicaid programs and would have to withhold payment to providers.

Proposed Solution

- In order for the State Controller to release the restriction, two actions need to occur.
- First, the Department needs to receive a supplemental appropriation in the amount of the overexpenditure for the fiscal year in which the overexpenditure occurred.
- Second, the General Assembly needs to direct the State Controller to release the restriction on the FY 2018-19 appropriation.



COLORADO

Department of Health Care
Policy & Financing

FY 2018-19 Funding Request | September 6, 2018

John W. Hickenlooper
Governor

Kim Bimestefer
Executive Director

Department Priority: 1331

Request Detail: Mental Health Institute FY 2017-18 Overexpenditure

Summary of Incremental Funding Change for FY 2018-19	Total Funds	General Fund
Mental Health Institute FY 2017-18 Overexpenditure ¹	\$0	\$0

¹The supplemental appropriation of \$7,387,850 total funds and \$3,694,541 General Fund is required for FY 2017-2018, the year in which the over expenditure occurred.

Problem or Opportunity:

In FY 2017-18, the Department exceeded its appropriation for the Mental Health Institutes (MHIs) in the Department of Human Services Medicaid-Funded Programs Long Bill group by \$7,387,850 total funds, including \$3,694,541 General Fund and \$3,693,309 federal funds. As a result of the overexpenditure, the Department's FY 2018-19 budget will be restricted by those amounts. The Department will not be able to pay for services to Medicaid members at the Mental Health Institutes if the restriction on the appropriation is not released.

The Department believes there are three reasons why the appropriation was overexpended. Primarily, the overexpenditure occurred due to an actual variance in spending authority compared to Medicaid eligible services at the Mental Health Institutes. Historically, a higher amount of claims were billed to Medicaid than what the Department was appropriated. While the Department of Human Services (DHS) submits a Mental Health Institutes' revenue supplemental funding request each year, which adjusts the institutes' funding types (General Fund, Cash Fund, Reappropriated Fund) based on projected claims billed for the current fiscal year, the request does not account for any prior year appropriation shortfalls.

The Mental Health Institutes receive revenue from various sources, including patient payments, Medicare, Medicaid, commercial insurance, and other State departments, to pay for the cost of care to patients. When an individual is referred to the MHIs, he/she undergoes an intake process, which includes an evaluation of financial benefits in order to determine the appropriate healthcare insurance program to bill for services provided. Medicaid funds support MHI expenses associated with inpatient psychiatric services for individuals under the age of 21 and those over the age of 65, as restricted by the Institutions for Mental Diseases (IMD) exclusion.

Secondly, the accumulation of prior years' claims payments that had been incurred but not reported (IBNR) exacerbated the size of the overexpenditure. The IBNR is the payable amount (amount owed) for any claims

not paid by the end of each fiscal year. The MHIs had an IBNR of approximately \$1.6 million dollars in FY 2012-13 and FY 2013-14. The IBNR increased significantly, to \$3,707,539 in FY 2014-15, due to unpaid claims. In FY 2016-17, the Department paid \$3,830,786 to cover the FY 2015-16 IBNR. In FY 2017-18, the Department paid \$5,896,388 to cover the FY 2016-17 IBNR. With the IBNR increasing every year, an increased portion of the Department's appropriation was used to cover prior fiscal year unpaid claims.

An IBNR will always exist between the Department and DHS, as every claim submitted will not be able to be paid within the same fiscal year. A healthy/normal IBNR is approximately four to five weeks of payables, which for current Medicaid services provided at the Mental Health Institutes is approximately \$800,000 to \$950,000. A payable balance will continue to increase until paid, regardless of fiscal year.

Lastly, since the March 2017 implementation of interChange, the Department's new system for claims processing, claims have been rejecting or processing at inaccurate amounts. Many claims for the MHIs had been unpaid or underpaid because this system processing error, and the Department was not billed correctly until the end of FY 2017-18, which included adjustments for incorrectly processed claims in FY 2016-17. With underpaid/overpaid claims processed incorrectly, the Department did not identify the correct amounts to pay until the subsequent fiscal year. The Department did not perform a reconciliation of claims paid in FY 2016-17 compared to billed amounts and therefore did not address the claims issues until the following year.

The restriction for the Mental Health Institutes will also affect the Department's ability to pay Colorado's Regional Centers and Veteran's Community Living Centers. Although this overexpenditure issue does not affect the Regional Centers or Veteran's Community Living Centers, State departments are required by fiscal rule to make payments by internal transfer rather than by check or electronic funds transfer. In the State's accounting system, CORE, the internal transfer interface pays all State entities with a single transfer document. As a result, the restriction put on the Mental Health Institutes appropriation will cause the entire transfer to reject in CORE, which would prevent all payment related to that transfer, which include the Mental Health Institutes, Veteran's Community Living Centers, and Regional Centers claims payments.

Per Sec. 1902 [42 U.S.C. 1396a] (a) (2) of the federal Social Security Act, the Department cannot reduce the amount, scope, or duration of services authorized under the Medicaid State Plan because a lack of available State funding exists. Therefore, the Department would be required to explore other mechanisms in order to make payments for services received by Medicaid eligible members at the MHIs if this request is not approved. Furthermore, if MHIs are not able to receive revenue from the Department as a result of the restriction, DHS may be required to submit a supplemental funding request for State-only funding in order to cover claims that are normally paid by Medicaid.

Proposed Solution:

The Department requests an increase of \$7,387,850 total funds, including \$3,694,541 General Fund and \$3,693,309 federal funds in FY 2017-18 so that the State Controller may lift the accompanying restrictions in FY 2018-19. The requested funding would resolve overexpenditures in the Department's Mental Health Institutes appropriation in the Department of Human Services Medicaid-Funded Programs Long Bill group for FY 2017-18 and remove the restrictions on FY 2018-19 funding.

The Department will work with the Department of Human Services (DHS) through the annual budget process to review and align spending authorities to the amount of expected Medicaid claims the Department will receive from DHS.

Anticipated Outcomes:

Additional appropriations are required for the Department to continue providing services to Medicaid clients at the Mental Health Institutes. Without additional appropriations, the Department would be prevented from reimbursing claims payments to the Department of Human Services when the State Controller places a restriction on the Department's Mental Health Institutes appropriation.

Assumptions and Calculations:

Based on actual expenditure data, the Department overexpended its Mental Health Institutes appropriation by \$7,387,850 total funds, including \$3,694,541 General Fund and \$3,693,309 federal funds. Data by line item can be found in the tables in the Appendix.

Supplemental, 1331 Supplemental or Budget Amendment Criteria:

The 1331 Supplemental funding request is being made as a result of new information on the amount of funding that the Department overexpended in FY 2017-18.

1331 Mental Health Institute FY 2017-18 Overexpenditure
Appendix A: Calculations and Assumptions

Table 1.1: FY 2017-18 Overexpenditure Request Summary by Line Item								
Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Comments
A	(7) Department of Human Services Medicaid-Funded Programs; (F) Office of Behavioral Health-Medicaid Funding, Mental Health Institutes	\$7,387,850	0.0	\$3,694,541	\$0	\$0	\$3,693,309	Table 2.1 Row C
B	Total Request	\$7,387,850	0.0	\$3,694,541	\$0	\$0	\$3,693,309	Total of Row A

1331 Mental Health Institute FY 2017-18 Overexpenditure
Appendix A: Calculations and Assumptions

Table 2.1: Summary of Overexpenditure								
Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Comments
A	Mental Health Institutes Appropriation	\$7,709,992	0.0	\$3,854,996	\$0	\$0	\$3,854,996	FY 2017-18 Appropriation (HB 18-1161)
B	Mental Health Institutes Expenditure	\$15,097,842	0.0	\$7,549,537	\$0	\$0	\$7,548,305	FY 2017-18 Actual Expenditures in CORE
C	(Over)Under Expenditure	(\$7,387,850)	0.0	(\$3,694,541)	\$0	\$0	(\$3,693,309)	Total: Row A - Row B

1331 Mental Health Institute FY 2017-18 Overexpenditure
Appendix A: Calculations and Assumptions

Table 3.1: Summary of MHI Claims Billed and Paid and IBNR Amounts¹						
Row	Fiscal Year	Medicaid Claims Billed	Medicaid Claims Payments Received^{2,3}	Difference (Billed - Received)	HCPF Long Bill Appropriation	IBNR Amount
A	FY 2015-16	\$7,938,013	\$7,592,275	\$345,738	\$7,911,513	\$3,830,786
B	FY 2016-17	\$8,647,585	\$6,433,534	\$2,214,051	\$6,832,172	\$5,896,388
C	FY 2017-18	\$8,935,052	\$6,690,032	\$2,245,020	\$7,709,992	TBD

¹Data provided by Department of Human Services.
²Slight variances in data may occur between CORE and claims billing systems due to the timing when claims are paid and for potential claims adjustments.
³Payments received include payments for claims submitted in previous fiscal years.

1331 Mental Health Institute FY 2017-18 Overexpenditure
Appendix A: Calculations and Assumptions

Table 4.1 Medicaid Member Days Billed and Billable Rate at the Mental Health Institutes¹					
Row	CMHIP	Division	FY 2016-17²	FY 2017-18²	Comments
A	# MCD Days Billed	Adolescent	2,079	2,394	
B	MCD Billable Rate	Adolescent	\$1,232	\$1,232	
C	Billed Subtotal	Adolescent	\$2,561,328	\$2,949,408	Total: Row A * Row B
D	# MCD Days Billed	General Adult	1,191	1,144	
E	MCD Billable Rate	General Adult	\$687	\$687	
F	Billed Subtotal	General Adult	\$818,217	\$785,928	Total: Row D * Row E
G	# MCD Days Billed	Forensic Psychiatry	4,107	4,436	
H	MCD Billable Rate	Forensic Psychiatry	\$676	\$676	
I	Billed Subtotal	Forensic Psychiatry	\$2,776,332	\$2,998,736	Total: Row G * Row H
J	# MCD Days Billed	Geriatric	3,763	3,250	
K	MCD Billable Rate	Geriatric	\$635	\$635	
L	Billed Subtotal	Geriatric	\$2,389,505	\$2,063,750	Total: Row J * Row K
M	CMHIFL	Division	FY 2016-17	FY 2017-18	
N	# MCD Days Billed	Ft. Logan	74	261	
O	MCD Billable Rate	Ft. Logan	\$868	\$868	
P	Billed Subtotal	Ft. Logan	\$64,232	\$226,548	Total: Row N * Row O
Q	Billed Total		\$8,609,614	\$9,024,370	Total: Rows C + F + I + L + P

¹Data provided by the Department of Human Services. Data Source: CORE, prior electronic system AVATAR, and new electronic health record system BEHR

²Billed total amounts vary slightly from Table 3.1 "Medicaid Claims Billed" due to minor claims adjustments.