

Schedule 13
Funding Request for the 2013-14 Budget Cycle

Department: Health Care Policy and Financing

Request Title: Increase in PASSR Level II & Status Change Evaluation Rates

Priority Number: S-9, BA-9

Dept. Approval by: John Bartholomew *JB* 12/27/12 Date

OSPB Approval by: *[Signature]* 12/31/12 Date

Decision Item FY 2013-14
 Base Reduction Item FY 2013-14
 Supplemental FY 2012-13
 Budget Amendment FY 2013-14

| Line Item Information | | FY 2012-13 | | FY 2013-14 | | FY 2014-15 |
|---|--------------|-----------------------------|---------------------------------------|----------------------------|--|--------------------------------------|
| | | 1 | 2 | 3 | 4 | 5 |
| | Fund | Appropriation FY 2012-13 | Supplemental Request FY 2012-13 | Base Request FY 2013-14 | Funding Change Request FY 2013-14 | Continuation Amount FY 2014-15 |
| Total of All Line Items | Total | \$7,761,238 | \$181,883 | \$7,761,238 | \$566,659 | \$566,659 |
| | FTE | 00 | 00 | 0.0 | 00 | 0.0 |
| | GF | \$828,091 | \$45,471 | \$828,091 | \$141,665 | \$141,665 |
| | GFE | \$0 | \$0 | \$0 | \$0 | \$0 |
| | CF | \$2,806,268 | \$0 | \$2,806,268 | \$0 | \$0 |
| | RF | \$0 | \$0 | \$0 | \$0 | \$0 |
| | FF | \$4,126,879 | \$136,412 | \$4,126,879 | \$424,994 | \$424,994 |
| (1) Executive Director's Office; (D) Eligibility Determinations and Client Services, Contracts for Special Eligibility Determinations | Total | \$7,761,238 | \$181,883 | \$7,761,238 | \$566,659 | \$566,659 |
| | FTE | 00 | 00 | 0.0 | 00 | 0.0 |
| | GF | \$828,091 | \$45,471 | \$828,091 | \$141,665 | \$141,665 |
| | GFE | \$0 | \$0 | \$0 | \$0 | \$0 |
| | CF | \$2,806,268 | \$0 | \$2,806,268 | \$0 | \$0 |
| | RF | \$0 | \$0 | \$0 | \$0 | \$0 |
| | FF | \$4,126,879 | \$136,412 | \$4,126,879 | \$424,994 | \$424,994 |

Letternote Text Revision Required? Yes: No: If yes, describe the Letternote Text Revision:

Cash or Federal Fund Name and COFRS Fund Number: FF: Title XIX

Reappropriated Funds Source, by Department and Line Item Name: Not Applicable

Approval by OIT? Yes: No: Not Required:

Schedule 13s from Affected Departments: Not Applicable

Other Information: Not Applicable



DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

John W. Hickenlooper
Governor

*FY 2013-14 Supplemental/ Budget Amendment
November 1, 2012*

Susan E. Birch
Executive Director

J. B. Antolonec for Sue Birch 12/21/12
Signature Date

*Department Priority: S-9, BA-9
PASRR Funding*

| Summary of Incremental Funding Change | Total Funds | General Fund | FTE |
|---|-------------|--------------|-----|
| FY 2012-13 PASRR Funding (Supplemental) | \$181,833 | \$45,471 | 0.0 |
| FY 2013-14 PASRR Funding (Budget Amendment) | \$566,659 | \$141,665 | 0.0 |

Request Summary:

The Department Requests \$181,833 total funds, \$45,471 General Fund in FY 2012-13 and \$566,659 total funds, \$141,665 General Fund in FY 2013-14 to address deficiencies in the scope of work of Preadmission Screening and Resident Review (PASRR) screenings and increased screening volume for this activity.

Problem or Opportunity:

The Department has identified federal compliance issues with its Preadmission Screening and Resident Review (PASRR) Level II screening procedures. In order to return to compliance, the Department has adjusted the procedures for PASRR Level II phone screenings, PASRR Level II full screenings, and PASRR Level II partial screenings. These adjustments have increased the scope of work associated with PASRR Level II screenings; as the Department contracts for these services, the costs to providers have increased. Although the Department's contracts with its PASRR providers remain unchanged, it is necessary to adjust the rate paid to providers in order to ensure that these services are still available to the Department: PASRR screenings are federally mandated for incoming nursing

facility patients. Rates for PASRR Level II screenings have not increased since 2007.

Contractors have indicated that the expanded scope of work cannot be completed at the current level of funding. There are a limited number of firms that are able to provide Level II PASRR screenings; if current providers elect to no longer provide this service to the Department, it is unlikely that the Department would be able to remain in compliance with federal regulations.

Additionally, the Department has determined that PASRR screenings are being provided at a rate that exceeds the capacity of the current appropriation, even at current reimbursement rates.

Brief Background:

PASRR is a federally-mandated protection and advocacy program that ensures that individuals who have major mental illnesses or developmental disabilities receive the appropriate treatment in the appropriate setting for the appropriate amount of time.

All clients admitted to a Medicaid-certified nursing facility must undergo Level I PASRR

screening. If a Level I screening suggests a possibility of mental illness, intellectual disability, or a related condition, Level II Enhanced Evaluations are required. The Department contracts with seventeen mental health centers and one individual provider to perform PASRR Level II and Status Change evaluations.

The Level II evaluation process has been revised in order to bring the state into compliance with the federal PASRR regulations. This has resulted in an increase in the time and effort required by providers to complete the evaluation. In addition, contractual responsibilities have been revised to require designated staff and tracking methods for PASRR activities.

Proposed Solution:

This request would increase the number of reviews that can be performed in the contract, and increase reimbursement for the complete Level II evaluation from \$410 to \$510, the reimbursement for partial Level II evaluations from \$164 to \$200, and the reimbursement for phone evaluations from \$40 to \$65. This increase would appropriately compensate providers for the extended requirements for PASRR screening and ensure the Department is compliant with federal regulations.

Alternatives:

There are not alternatives to funding this activity. Contractors are not able to continue providing this service at current levels of reimbursement and overexpenditure is imminent without an increase in funding for this federally required activity.

Anticipated Outcomes:

PASRR contractors will be compensated at a sustainable level under the current, federally-compliant scope of work in their contracts and continue providing PASRR screenings services to the Department. Additionally, overexpenditure due to volume increases will be avoided.

Assumptions for Calculations:

PASRR expenditures for FY 2011-12 amounted to \$981,694 of a \$984,980 appropriation. Additionally, utilization of Level II phone screenings, Level II partial screenings, and Level II full screenings grew by 7.59%, 34.48%, and 10.57%, respectively, in FY 2011-12. Accordingly, when calculating the value of the PASRR Level II supplemental request, the Department applied these growth rates to utilization figures for FY 2011-12 to produce an estimate for FY 2012-13 utilization and again to FY 2012-13 projected utilization to produce an estimate for FY 2013-14 utilization. The value of the supplemental request is the sum of the increase in PASRR spending due to projected utilization growth and the increase in PASRR spending due to proposed rate increases. Similarly, the value of the budget amendment is the difference between FY 2011-12 PASRR expenditure and estimated FY 2013-14 PASRR expenditure. Federal financial participation for the PASRR program is 75%.

The Department estimates the FY 2012-13 value of the supplemental request by assuming an April 1, 2013 implementation of the proposed rates. The proposed rate increase is applied to estimated PASRR usage for April 2013 through June 2013 to produce the FY 2012-13 request.

Consequences if not Funded:

The Department's PASRR expenditures for FY 2011-12 were \$3,286 less than the appropriated amount; recent trends in utilization suggest that the PASRR program is at very high risk of expending in excess of its appropriation, even at current rates. Furthermore, a rate increase is necessary: given the increase in the scope of work for PASRR screenings, it is unlikely that contractors will continue providing PASRR services to the Department at the current level of reimbursement. If the Department is unable to contract for Level II PASRR screenings, it would not be able to comply with federal regulation requiring that they be administered to incoming nursing facility patients when indicated by the results of a Level I screening. Additionally,

without Level II PASRR screenings, clients already placed in hospitals and other higher-cost settings would be unable to transfer into nursing facilities, resulting in unnecessary expenditure. Requiring individuals who no longer need inpatient-level care to remain in hospitals may additionally be a violation of the Olmstead Supreme Court decision.

Impact to Other State Government Agency:
None.

Cash Fund Projections:
Not applicable.

Relation to Performance Measures:
As admission into a nursing facilities represent an alternative to higher-cost settings for many

clients, this supplemental request contributes to the Department's objective of containing health care costs.

Supplemental, 1331 Supplemental, or Budget Amendment Criteria:

As the current appropriation is insufficient to pay for the current level of usage at the proposed rates, additional funding is necessary to avoid overexpenditure.

Current Statutory Authority or Needed Statutory Change:

The federal guidelines referenced in this request are contained in 42 CFR §§ 483.100 – 138..

Table 1: Estimated FY 2012-13 Impact of Proposed Reimbursement Changes for PASRR Level II Screenings

| Row | Item | Phone Screening | Partial Screening | Full Screening | Formula |
|-----|--|-----------------|-------------------|------------------|--------------------------------|
| A | FY 2010-11 Volume | 3,136 | 29 | 1,864 | |
| B | FY 2011-12 Volume | 3,374 | 39 | 2,061 | |
| C | Estimated Trend | 7.59% | 34.48% | 10.57% | (Row B / Row A) - 1 |
| D | Estimated FY 2012-13 Volume | 3,630 | 52 | 2,279 | Row B * (1 + Row C) |
| E | Estimated Increase in Units | 256 | 13 | 218 | Row D - Row B |
| F | Current Unit Price | \$40.00 | \$164.00 | \$410.00 | |
| G | FY 2012-13 Cost Increase due to Volume | \$10,240 | \$2,132 | \$89,380 | Row E * Row F |
| | | | | | |
| H | Proposed Unit Price | \$65.00 | \$200.00 | \$510.00 | |
| I | Increase in Unit Price | \$25.00 | \$36.00 | \$100.00 | Row H - Row F |
| J | Estimated Full Year Impact of Increase in Unit Price | \$90,750 | \$1,872 | \$227,900 | Row D * Row I |
| K | Adjustment for Partial Year Implementation | 25.00% | 25.00% | 25.00% | Assumed April 1, 2013 |
| L | FY 2012-13 Cost Increase due to Rates | \$22,688 | \$468 | \$56,975 | Row J * Row K |
| | | | | | |
| M | Net Impact | \$32,928 | \$2,600 | \$146,355 | Row G + Row L |
| N | Total Impact | | | \$181,883 | Sum of Entries in Row M |
| O | General Fund Impact | | | \$45,471 | Row N * (0.25) |
| P | Federal Funds Impact | | | \$136,412 | Row N * (0.75) |

Table 2: Estimated FY 2013-14 Impact of Proposed Reimbursement Changes for PASRR Level II Screenings

| Row | Item | Phone Screening | Partial Screening | Full Screening | Formula |
|-----|---|------------------|-------------------|------------------|--------------------------------|
| A | FY 2011-12 Volume | 3,374 | 39 | 2,061 | Table 1 Row B |
| B | Estimated Trend | 7.59% | 34.48% | 10.57% | Table 1 Row C |
| C | Estimated FY 2012-13 Volume | 3,630 | 52 | 2,279 | Table 1 Row D |
| D | Estimated Trend | 7.59% | 34.48% | 10.57% | Table 1 Row C |
| E | Estimated FY 2013-14 Volume | 3,905 | 70 | 2,520 | Row C * (1 + Row D) |
| F | Estimated Increase in Units | 531 | 31 | 459 | Row E - Row A |
| G | Current Unit Price | \$40.00 | \$164.00 | \$410.00 | |
| H | FY 2013-14 Cost Increase due to Volume | \$21,240 | \$5,084 | \$188,190 | Row F * Row G |
| I | Proposed Unit Price | \$65.00 | \$200.00 | \$510.00 | |
| J | Increase in Unit Price | \$25.00 | \$36.00 | \$100.00 | Row I - Row G |
| K | FY 2013-14 Cost Increase due to Rates | \$97,625 | \$2,520 | \$252,000 | Row E * Row J |
| L | Net Impact | \$118,865 | \$7,604 | \$440,190 | Row L - Row H |
| M | Total Impact | | | \$566,659 | Sum of Entries in Row L |
| N | General Fund Impact | | | \$141,665 | Row M * (0.25) |
| O | Federal Funds Impact | | | \$424,994 | Row M * (0.75) |