

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



FY 2009-10 STAFF BUDGET BRIEFING

**DEPARTMENT OF HEALTH CARE POLICY AND
FINANCING**

(Includes information related to the Medicaid Mental Health Community Programs)

**JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision**

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December 4, 2008**

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**FY 2009-10 BUDGET BRIEFING
STAFF PRESENTATION TO THE JOINT BUDGET COMMITTEE**

DEPARTMENT OF DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

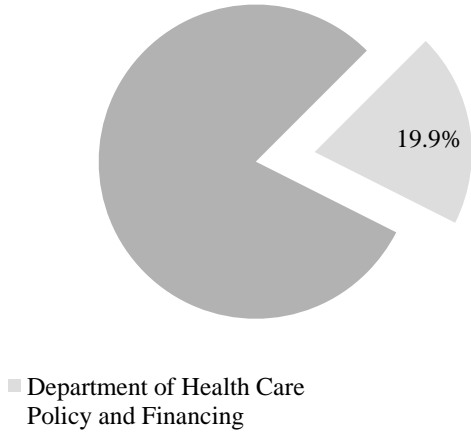
Medicaid Mental Health Community Programs

Table of Contents

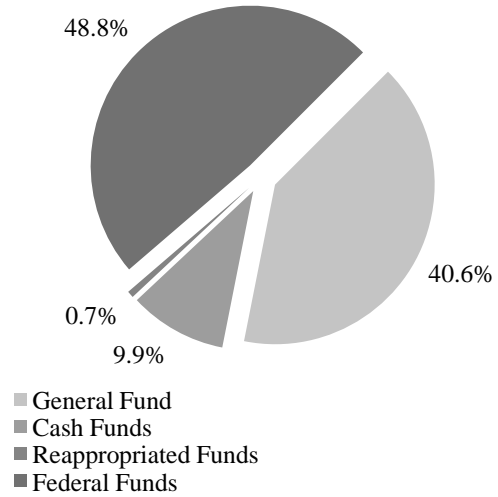
Graphic Overview	1
Department Overview	3
Decision Items	5
Base Reduction Items	7
Non-Prioritized Items	8
Overview of Numbers Pages	10
Issues:	
Preliminary budget outlook for the Medicaid Mental Health Community Programs ...	12
Reprocurement of the Mental Health Capitation Contracts	20
Appendices:	
A - Numbers Pages	25
B - Summary of Major Legislation from 2008 Legislative Session	26
C - Update on Long Bill Footnotes and Requests for Information	27

**FY 2009-10 Budget Committee Staff Budget Briefing
 Department of Health Care Policy and Financing
 GRAPHIC OVERVIEW**

**Department's Share of Statewide
 General Fund
 FY 2008-09 Appropriation**

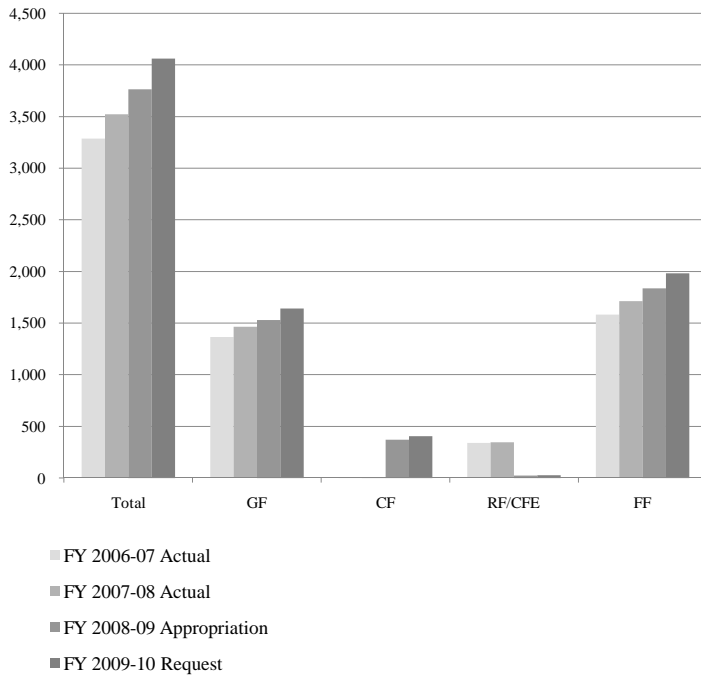


**Department Funding Sources
 FY 2008-09 Appropriation**

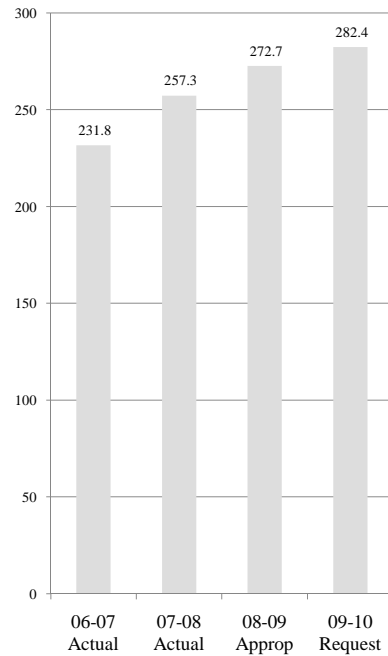


*Includes GF exempt from the 6.0% limit -- percentage subject to 6.0% limit is 20.2%

**Budget History
 (Millions of Dollars)**



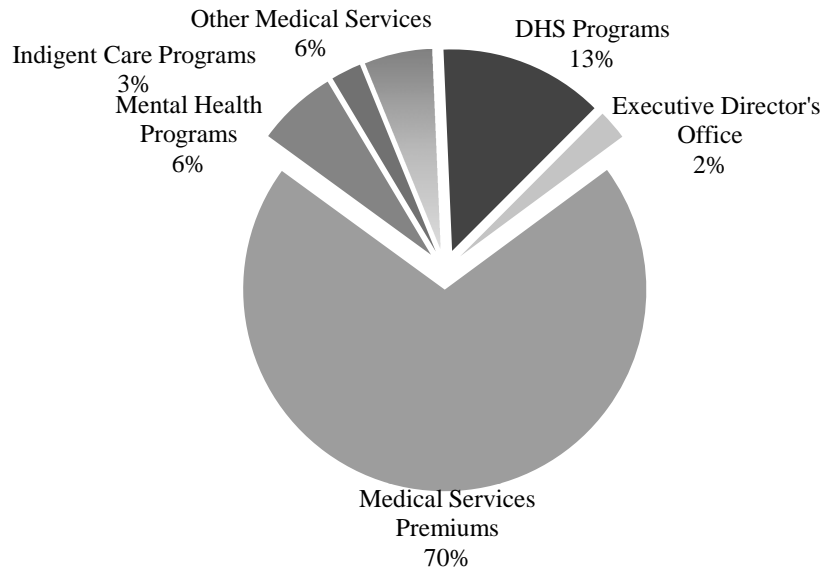
FTE History



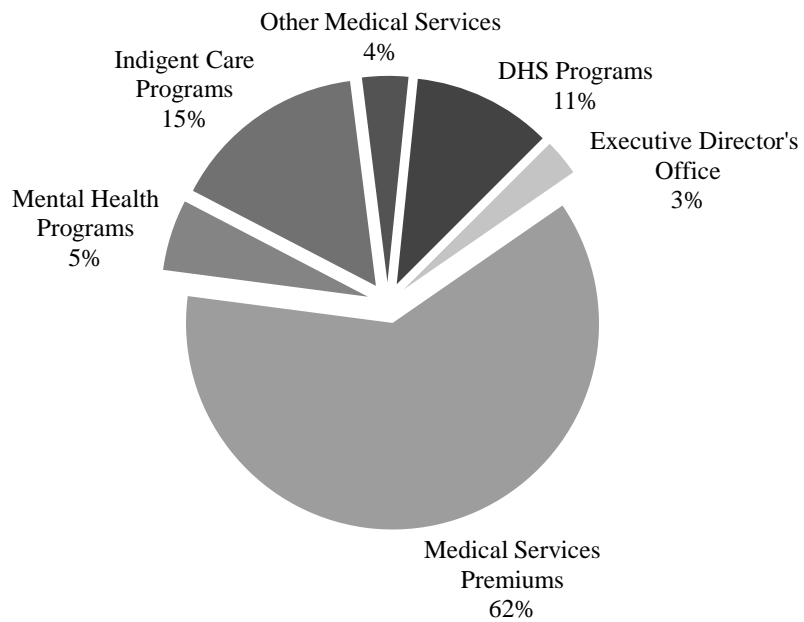
Unless otherwise noted, all charts are based on the FY 2008-09 appropriation.

**FY 2009-10 Budget Committee Staff Budget Briefing
 Department of Health Care Policy and Financing
 GRAPHIC OVERVIEW**

**Distribution of General Fund by Division
 FY 2008-09 Appropriation**



**Distribution of Total Funds by Division
 FY 2008-09 Appropriation**



**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Health Care Policy and Financing
Medicaid Mental Health Community Programs**

DEPARTMENT OVERVIEW

Key Responsibilities

- ▶ Administers the State's Medicaid program which provides health care services to a forecasted 381,390 low-income people in FY 2008-09 (based on current appropriation).
- ▶ Administers the Children's Basic Health Plan, a health insurance program for a forecasted 77,152 low-income children and approximately 1,697 adult pregnant women in FY 2008-09 (based on current appropriation).
- ▶ Operates the Colorado Indigent Care Program to offset clinic and hospital provider costs for services to low-income and uninsured clients who are not Medicaid eligible. In FY 2006-07 (last year with data) this program served approximately 172,500 low-income individuals.
- ▶ Administers the Old Age Pension Health and Medical Fund which provides health care to a forecasted 5,389 elderly persons who do not qualify for Medicaid or Medicare in FY 2008-09.
- ▶ Administers the Primary Care Fund and the Comprehensive Primary and Preventive Care Grant Program.
- ▶ Acts as the single-state agency to receive Title XIX (Medicaid) funds from the federal government and therefore, passes these federal funds to other state agencies that have qualifying programs (mainly the Department of Human Services).

Factors Driving the Budget (Related to this MH Division Only)

Medicaid Mental Health Capitation

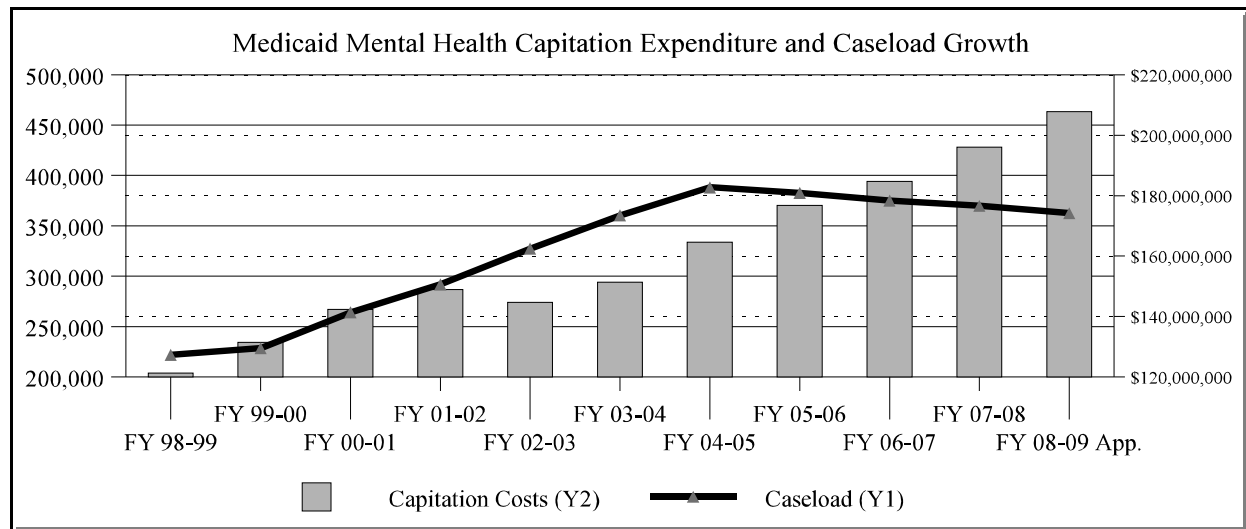
Medicaid mental health community services throughout Colorado are delivered through a managed care or "capitated" program. Under capitation, the State pays a regional entity - a Behavioral Health Organization (BHO) - a contracted amount (per member per month) for each Medicaid client eligible for mental health services in the entity's geographic area. The BHO is then required to provide appropriate mental health services to all Medicaid-eligible persons needing such services as provided by the contract.

The rate paid to each BHO is based on 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. Under the capitated mental health system, changes in rates paid, and changes in overall Medicaid eligibility and case-mix (mix of types of clients within the population) are important

drivers in overall state appropriations for mental health services. Capitation represents the bulk of the funding for Medicaid mental health community programs.

The following table and chart provides information on the recent expenditures and caseload for Medicaid mental health capitation. Please note, the Medicaid mental health caseload used was converted effective FY 2005-06 to mirror how Medicaid caseload is reported in other areas of the Department's budget. Specifically, the caseload beginning in FY 2005-06 does not include retroactivity adjustments.

	FY 2004-05 Actual	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation
Medicaid Mental Health Capitation Funding	\$152,435,998	\$176,727,920	\$184,640,568	\$196,011,033	\$207,799,886
Annual Dollar Change	\$13,211,714	\$24,291,922	\$7,912,648	\$11,370,465	\$11,788,853
Annual Percent Change	8.1%	15.9%	4.5%	6.2%	6.0%
Individuals Eligible for Medicaid Mental Health Services (Caseload)/1	388,254	382,734	375,046	369,875	362,584
Annual Caseload Change	5,520	(5,520)	(7,508)	(5,171)	(7,291)
Annual Percent Change	1.4%	-1.4%	-2.0%	-1.4%	-2.0%



/1 Not all Medicaid caseload aid categories are eligible for mental health services. The caseload reported in this table does not reflect the partial dual eligibles or non-citizen aid categories.

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Health Care Policy and Financing
Medicaid Mental Health Community Programs**

DECISION ITEM PRIORITY LIST

Decision Item	GF	CF	RF	FF	Total	FTE
1 Request for FY 2009-10 Medical Services Premiums (Base Caseload & Cost Forecast)	80,080,442	24,911,912	130,695	107,498,749	212,621,798	0.0
2 Request for FY 2009-10 Medicaid Mental Health Community Programs (Base Caseload & Cost Forecast) Medicaid Mental Health Community Programs. Estimated base increase to the Medicaid Community Mental Health line items. The request is based on the anticipated growth in the Medicaid caseload described above as well as an increase in the overall weighted capitation rate change of 1.67 percent. This decision item is discussed in greater detail in Issue #1 of this briefing packet. <i>Statutory authority: Sections 25.5-308, 25.5-5- 408, and 25.5-5-411, C.R.S. (2008).</i>	6,001,519	2,143,323	1,246	8,149,608	16,295,696	0.0
3 Children's Basic Health Plan Medical Premium and Dental Costs (Base Caseload & Cost Forecast)	4,270,540	(12,328,096)	4,595,239	(14,100,209)	(17,562,526)	0.0
4 Medicare Modernization Act State Contribution Payment (Base Caseload & Cost Forecast)	5,310,019	0	0	0	5,310,019	0.0
5 Improved Eligibility and Enrollment Processing	3,591,238	0	0	3,936,894	7,528,132	2.8
6 Medicaid Value-Based Care Coordination Initiative	899,050	8,954	0	1,489,705	2,397,709	1.8
7 (Decision Item Pulled)	0	0	0	0	0	0.0
8 (Decision Item Pulled)	0	0	0	0	0	0.0
9 (Decision Item Pulled)	0	0	0	0	0	0.0
10 Annual Medicaid Management Information System Cost Adjustment	70,353	3,046	0	216,718	290,117	0.0

Decision Item	GF	CF	RF	FF	Total	FTE
11 Additional Leased Space for Standardization	110,667	0	0	110,667	221,334	0.0
12 Enhance Medicaid Management Information System Effectiveness	114,828	0	0	280,201	395,029	0.9
13 (Decision Item Pulled)	0	0	0	0	0	0.0
14 Nursing Facility Audit Reprourement	64,933	0	0	64,933	129,866	0.0
15 Provider Web Portal Reprourement	87,629	0	0	262,885	350,514	0.0
16 School Based Medical Assistance Site Pilot Expansion	11,410	3,722	0	17,586	32,718	0.0
17 School Health Services Program Auditor	0	0	0	0	0	0.0
Total	100,612,628	14,742,861	4,727,180	107,927,737	228,010,406	5.5

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
 Department of Health Care Policy and Financing
 Medicaid Mental Health Community Programs**

BASE REDUCTION ITEM PRIORITY LIST

Base Reduction	GF	CF	RF	FF	Total	FTE
1	(207,348)	0	0	175,841	(31,507)	0.0
Pharmacy Technical and Pricing Efficiencies						
<p>Executive Director's Office and Medical Service Premiums. The Department's request includes a net reduction of \$31,507 total funds (\$207,348 General Fund) in FY 2009-10 as a result of the implementation of an automated prior authorization system and changes to the reimbursement rates of drugs using a state maximum allowable cost structure. Currently, providers are required to submit paperwork on every prior authorization requested either electronically, through the mail or through fax. Under the Department's proposal, the Department would higher a contractor to provide automated prior authorization services. The automated prior authorization system would screen pharmacy claims against client information from a medical and pharmacy database to determine if the client meets the prior authorization approval criteria at the point of sale. The Department's request assumes savings will result by removing a large majority of the administrative burden and will result in prescription drug savings in the Medical Services Premiums line item by allowing the Department to better monitor and control drug utilization. For more information on prescription drugs and cost saving estimates implemented over the past several years, see Issue #11 of the Department of Health Care Policy and Financing staff briefing presented on December 3, 2008. <i>Statutory authority: Section 25.5-4-401, C.R.S. (2008) and 42 CFR 447.205.</i></p>						
2	(865,509)	0	0	(865,509)	(1,731,018)	0.9
Medicaid Program Efficiencies						
Total	(1,072,857)	0	0	(689,668)	(1,762,525)	0.9

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Health Care Policy and Financing
Medicaid Mental Health Community Programs**

NON-PRIORITIZED ITEM LIST

Non-Prioritized Item List	GF	CF	RF	FF	Total	FTE
1 Commission on Family Medicine -- Expanding Access to Primary Care	100,000	0	0	100,000	200,000	0.0
2 Department of Regulatory Agencies Sunset Reviews	4,500	500	0	9,000	14,000	0.0
3 DHS - Community Funding for Individuals with Disabilities	2,646,442	0	0	2,646,441	5,292,883	0.0
4 DHS - Child Welfare Caseload	182,572	0	0	182,572	365,144	0.0
5 DHS - Postage Increase and Mail Equipment Upgrade	56,361	0	7,079	56,744	120,184	0.0
6 DHS - Regional Centers - High Needs Clients	751,751	0	0	751,751	1,503,502	0.0
7 DHS - Inflationary Increase for DHS Residential Programs	43,936	0	0	43,936	87,872	0.0
8 DHS - Direct Care Capital Outlay for Regional Centers, Mental Health Institutes, and Facilities Management and Facilities Management Operating Increase	82,125	0	0	82,125	164,250	0.0
9 DPA - Mail Equipment Upgrade	7,483	218	123	7,772	15,596	0.0
10 DPA - Ombudsman Program Increase less Annualization of CSEAP Program Increase	25	0	0	24	49	0.0
11 DPA - Office of Administrative Courts Staffing Adjustment	9,076	0	0	9,076	18,152	0.0
12	2,250	66	37	2,337	4,690	0.0

Non-Prioritized Item List	GF	CF	RF	FF	Total	FTE
DPA - Postage Increase						
13	513,124	0	0	513,123	1,026,247	0.0
DHS - High Risk Pregnant Women Program						
14	3,176	0	0	6,750	9,926	0.0
DPHE - Fleet Common Policy for Facility Survey and Certification						
15	1,944	0	0	1,944	3,888	0.0
DHS - Annual Fleet Vehicle Replacements						
16	30,031	0	0	30,031	60,062	0.0
DHS - Annual Fleet Vehicle Replacements						
17	46,894	0	0	46,891	93,785	0.0
DHS - State Fleet Variable Costs						
18	15,702	0	0	15,701	31,403	0.0
DHS - Budget Office Staffing						
Total	4,497,392	784	7,239	4,506,218	9,011,633	0.0

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Health Care Policy and Financing
Medicaid Mental Health Community Programs**

OVERVIEW OF NUMBERS PAGES -- Medicaid Mental Health Division Only

The following table summarizes the total change, in dollars and as a percentage, between the Department's FY 2008-09 appropriation and its FY 2009-10 request for the Medicaid Mental Health Community Programs Division.

Table 1: Total Requested Change, FY 2008-09 to FY 2009-10 (millions of dollars)

Category	GF	CF	RF	FF	Total	FTE
FY 2008-09 Appropriation	\$97.7	\$7.0	\$0.0	\$104.7	\$209.4	0.0
FY 2009-10 Request	104.0	9.7	0.0	113.7	227.4	0.0
Increase / (Decrease)	\$6.3	\$2.7	\$0.0	\$9.0	\$18.0	0.0
Percentage Change	6.5%	38.3%	n/a	8.6%	8.6%	n/a

As shown in Table 1 above, the Department's FY 2009-10 budget request includes a total increase of \$6.3 million (6.5 percent) in additional General Fund spending. The General Fund increases are mainly attributable funding the base Medicaid caseload and capitation rate increases forecasted in FY 2009-10.

Table 2 summarizes the changes requests contained in the Department's total FY 2009-10 budget request, as compared with the FY 2008-09 appropriation for the Mental Health Division.

Table 2: Total Department Requested Changes, FY 2008-09 to FY 2009-10 (in millions)

Category	GF	CF	RF	FF	Total	FTE
Decision Items	\$6.0	\$2.1	\$0.0	\$8.2	\$16.3	0.0
Base Reduction Items	0.0	0.0	0.0	0.0	0.0	0.0
Non-Prioritized Items/1	0.0	0.0	0.0	0.0	0.0	0.0
Technical/Base Changes	0.3	0.6	0.0	0.8	1.7	0.0
Total Changes	\$6.3	\$2.7	\$0.0	\$9.0	\$18.0	0.0

/1 There is one non-prioritized item with a total cost of \$10,824. Due to rounding this item does not appear in the table above.

Table 3 on the following pages summarizes the Department's FY 2009-10 budget request for the Medicaid Mental Health Community Programs division. For a breakdown of change requests by line item see the Department's number pages in Appendix A of this briefing packet.

Table 3: Requested Changes for Medicaid Mental Health Community Programs, FY 2008-09 to FY 2009-10

Category	GF	CF	RF	FF	Total
Medicaid Mental Health Community Programs Current Appropriation	\$97,698,852	\$6,976,195	\$7,205	\$104,702,904	\$209,385,156
Annualize prior year budget actions with caseload/cost impacts	315,848	0	0	315,848	631,696
Annualize prior year special legislation	<u>7,595</u>	<u>530,974</u>	<u>0</u>	<u>538,568</u>	<u>1,077,137</u>
Medicaid Mental Health Community Programs Base Request	\$98,022,295	\$7,507,169	\$7,205	\$105,557,320	\$211,093,989
Medicaid Community Mental Health Programs (DI #2)	6,001,519	2,143,323	1,246	8,149,608	16,295,696
Medicaid Mental Health Community Programs Base with Caseload Growth Request	\$104,023,814	\$9,650,492	\$8,451	\$113,706,928	\$227,389,685
Non-Prioritized Items #3 -- DHS Community Funding for Individuals with Developmental Disabilities	5,412	0	0	5,412	10,824
Medicaid Mental Health Community Programs Total Request	\$104,029,226	\$9,650,492	\$8,451	\$113,712,340	\$227,400,509
Total Change	\$6,330,374	\$2,674,297	\$1,246	\$9,009,436	\$18,015,353
Percent Change	6.5%	38.3%	17.3%	8.6%	8.6%

Of the FY 2009-10 request for cash funds, \$9,579,111 is from the Health Care Expansion Fund, \$61,502 shall be from the Colorado Autism Treatment Fund; and \$9,879 from the Breast and Cervical Cancer Treatment Fund.

The FY 2009-10 request for reappropriated funds is a transfer from the Department of Public Health and Environment Prevention, Early Detection, and Treatment Fund (PEDT Fund) for the Breast and Cervical Cancer Treatment Program.

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Department of Health Care Policy and Financing
Medicaid Mental Health Community Programs**

BRIEFING ISSUE

ISSUE: Preliminary budget outlook for the Medicaid Mental Health Community Programs.

The Department requests a FY 2008-09 supplemental of \$4.1 million total funds (\$1.1 million General Fund) for the Medicaid Mental Health Community Programs. The Department's FY 2009-10 budget request is an increase of \$18.0 million total funds (\$6.3 million General Fund) over the current FY 2008-09 appropriation for the Medicaid Mental Health Community Programs.

SUMMARY:

- ❑ The Department's budget request shows a *preliminary* FY 2008-09 supplemental of \$4.1million total funds for the Medicaid Mental Health Community Programs line items administered by the Department.
- ❑ The Department's FY 2008-09 budget request for the Medicaid Mental Health Division is an increase of \$18.0 million total funds (8.6 percent) over the Department's current FY 2008-09 appropriation and \$13.9 million total funds (6.5 percent) over the Department's revised FY 2008-09 estimate. This increase is related to Medicaid caseload growth and increases to the capitation rates for the mental health managed care program.

DISCUSSION:

The Medicaid Mental Health Division in the Department's budget is comprised of two budget line item:

- ✓ ***Mental Health Capitation for Medicaid Clients:*** This line item provides the appropriation for the contracted managed care providers (Behavioral Health Organizations -- BHOs) that provide mental health services for Medicaid clients throughout Colorado. The BHOs are responsible for providing or arranging all medically necessary mental health services to Medicaid eligible clients within specific geographical areas for a pre-determined capitation rate. Per federal regulation, the capitation rate must be actuarially sound. Calculating the appropriation for this line is basically multiplying the number of eligible clients in each category by the contracted capitation rate for the clients aid category adjusted by any recoupment amounts.
- ✓ ***Medicaid Mental Health Fee-for-Service Payments:*** This line item contains the appropriation for mental health services provided to Medicaid clients who are not enrolled in a behavioral health organization to receive mental health services. The expenses in this

line item also reflect the costs for mental health services outside the scope of the behavioral health organization contract. For example, Medicare cross-over claims are included in this line item.

Please note that these line items do not contain all the mental or behavioral health expenditures that receive Title XIX (Medicaid) funding. For example, the Medical Services Premiums line item includes all prescription drugs appropriations, including anti-psychotic prescription drugs (which accounted for \$29.1 million total funds in FY 2007-08). The Medical Services Premiums line item also contains the appropriation for out-patient substance abuse treatment for Medicaid clients which totaled \$3.7 million in FY 2007-08, as well as community-long term care waiver services for mentally ill clients (approximately \$20.4 million in actual expenditures in FY 2007-08). In addition, the Department of Human Services administers mental health services programs that qualify for Medicaid funding as well as their state-only programs for non-Medicaid clients.¹ It is important to note that the Children's Basic Health Plan (CBHP) line item also provides mental health services to eligible children. With the passage of S.B. 08-160, the mental health services provided under CBHP program must have parity with the services provided under Medicaid for children.

Table 1 summarizes the Department's FY 2008-09 expenditure estimate and FY 2009-10 budget request for the Medicaid Mental Health Division (all line items).

Table 1: FY 2008-09 Estimate & FY 2009-10 Budget Request						
Funds	Current FY 2008-09 Appropriation	Department's Estimated FY 2008-09 Expenditure	Difference Possible Supplemental Amount	Department's FY 2009-10 Budget Request	<i>FY 2009-10 Increase Compared to Current FY 2008-09 Appropriation</i>	<i>FY 2009-10 Increase Compared to Estimated FY 2008-09 Expenditure</i>
GF	\$97,698,852	\$98,816,799	\$1,117,947	\$104,029,226	\$6,330,374	\$5,212,427
CF	6,976,195	7,914,409	938,214	9,650,492	2,674,297	1,736,083
RF	7,205	7,648	443	8,451	1,246	803
<u>FF</u>	<u>104,702,904</u>	<u>106,760,656</u>	<u>2,057,752</u>	<u>113,712,340</u>	<u>9,009,436</u>	<u>6,951,684</u>
Total	\$209,385,156	\$213,499,512	\$4,114,356	\$227,400,509	\$18,015,353	\$13,900,997
Percent (Decrease) / Increase			1.97%	n/a	8.60%	6.51%

¹Department of Human Services receives some Medicaid funding for MH Administration, Residential Treatment for Youth, Mental Health Institute, Alcohol and Drug Abuse Division, and for Alcohol and Drug Abuse for High Risk Pregnant Women.

Department's Preliminary Expenditure Estimate for FY 2008-09

Table 2 shows the reasons for the anticipated supplemental request for the Medicaid Mental Health Division for FY 2008-09.

Table 2: Mental Health Division FY 2008-09 Estimated Expenditures Detail					
Item	Total Funds	General Fund	Cash Fund	Reappropriated Funds	Federal Funds
Current FY 2008-09 Appropriation	\$209,385,156	\$97,698,852	\$6,976,195	\$7,205	\$104,702,904
<i>Department's Estimated Changes for FY 2008-09 (Nov 1, 2008 Request)</i>					
Caseload and per-capita cost updated estimates for the MH capitation program	4,262,471	1,192,004	938,214	443	2,131,810
Medicaid Mental Health Fee-for-Service Payments	<u>(148,115)</u>	<u>(74,057)</u>	<u>0</u>	<u>0</u>	<u>(74,058)</u>
Department's New Estimate for FY 2008-09 (Nov 1, 2007)	\$213,499,512	\$98,816,799	\$7,914,409	\$7,648	\$106,760,656
(Decrease)/Increase from current FY 2007-08 appropriation	\$4,114,356	\$1,117,947	\$938,214	\$443	\$2,057,752

Caseload and per-capita cost updated estimates for the MH capitation program: The Department's budget request indicates a total fund supplemental of \$4.3 million for the MH capitation line item. This estimate is based on the Department's new Medicaid caseload projections for FY 2008-09 and adjustments to the estimated per-capita cost for each aid category as shown on Table 3 below.

Table 3: FY 2008-09 Appropriation Compared to Department's FY 2008-09 Expenditure Estimate							
Eligible MH Medicaid Caseload	Current Caseload Appropriation	Estimated Per Capita Rate	Cost Estimate	New Caseload Projection	Estimated Weighted Capitation Rate	New Cost Estimate	Cost Difference
SSI 65+	36,278	\$166.03	\$6,023,333	37,155	\$163.98	\$6,092,805	\$69,472
Disabled Individuals	56,339	\$1,538.40	\$86,671,749	56,839	\$1,531.28	\$87,036,624	\$364,875
Non-Disabled Adults	57,324	\$257.98	\$14,788,334	64,464	\$254.07	\$16,378,673	\$1,590,339

**Table 3: FY 2008-09 Appropriation Compared to
Department's FY 2008-09 Expenditure Estimate**

Eligible MH Medicaid Caseload	Current Caseload Appropriation	Estimated Per Capita Rate	Cost Estimate	New Caseload Projection	Estimated Weighted Capitation Rate	New Cost Estimate	Cost Difference
Breast and Cervical Cancer Treatment Patients (BCCP)	301	\$228.72	\$68,845	285	\$254.99	\$72,672	\$3,827
Children	193,484	\$192.69	\$37,281,930	225,209	\$190.93	\$42,998,197	\$5,716,267
Foster Children	<u>18,657</u>	<u>\$3,374.91</u>	<u>\$62,965,695</u>	<u>17,968</u>	<u>\$3,310.52</u>	<u>\$59,483,386</u>	<u>(\$3,482,309)</u>
Total	362,383	n/a	\$207,799,887	401,920	n/a	\$212,062,357	\$4,262,470

As Table 3 shows, the Department forecasts an increase of 39,537 (10.9 percent) in the overall Medicaid caseload *eligible* for mental health services (partial dual eligibles and non-citizens are ineligible for Medicaid mental health services). However, the Department has adjusted most per-capita cost estimates downward based on the FY 2007-08 actual costs. Based on all of these adjustments, the new estimate for FY 2008-09 is \$4.3 million higher than the current appropriation. The Department's request also adjusts the fund splits for the capitation program as shown in Table 4.

Table 4: FY 2008-09 Fund Splits for Mental Health Capitation Program

	Current FY 2008-09 Appropriation	Department Revised FY 2008-09 Estimate	Difference (Est - App)
General Fund	\$96,906,217	\$98,098,221	\$1,192,004
CF -- Health Care Expansion Fund	\$6,959,304	\$7,839,198	\$879,894
CF -- BCCTP Program	\$16,891	\$17,788	\$897
CF -- Autism Fund	\$0	\$57,422	\$57,422
RF -- DPHE Transfer for BCCTP Program	\$7,205	\$7,648	\$443
<u>Federal Funds</u>	<u>\$103,910,269</u>	<u>\$106,042,079</u>	<u>\$2,131,810</u>
Total Funds	\$207,799,886	\$212,062,356	\$4,262,470

Medicaid Mental Health Fee-for-Service Payments: The Department's revised FY 2008-09 estimate also indicates a negative total fund supplemental of \$148,115 (\$74,057 General Fund) for the Fee-for-Service payments. The Department's current FY 2008-09 estimate is based on FY 2007-08 actual expenditures, increased by 7.59 percent to reflect higher Medicaid caseload estimates.

Department's Preliminary Request for FY 2009-10

After the Department adjusts the FY 2008-09 base, they then calculate their estimate for FY 2009-10. The Department's current FY 2009-10 budget forecast for the Medicaid Mental Health Division is \$227.4 million total funds. This request is an increase in total funds of approximately \$18.0 million from the current FY 2008-09 appropriation but is an increase of \$15.3 million total funds from the Department's revised expenditure estimates from FY 2008-09. Table 5 shows the components of the Department's FY 2009-10 budget request.

Table 5: Mental Health Division FY 2009-10 Estimated Expenditures Detail					
Item	Total Funds	General Fund	Cash Funds	Reappop. Funds	Federal Funds
Current FY 2008-09 Appropriation	\$209,385,156	\$97,698,852	\$6,976,195	\$7,205	\$104,702,904
<i>Department's Estimated Changes for FY 2007-08 (Nov 1, 2007 Request)</i>					
FY 2008-09 Preliminary Supplemental Request	4,114,355	1,117,947	938,213	443	2,057,752
<i>Department's Estimated Changes for FY 2009-10 (Nov 1, 2008 Request)</i>					
Caseload and per-capita cost estimates for the MH capitation program (Prior Year Annualizations & DI #2)*	13,846,256	5,185,057	1,736,084	803	6,924,313
Caseload and cost estimates for fee-for-service program	43,917	21,958	0	0	21,959
DHS Community Funding for Individuals with Developmental Disabilities (NP #3)	<u>10,824</u>	<u>5,412</u>	<u>0</u>	<u>0</u>	<u>5,412</u>
Department's New Estimate for FY 2009-10 (Nov 1, 2007)	\$227,400,509	\$104,029,226	\$9,650,492	\$8,451	\$113,712,340
Increase from current FY 2008-09 appropriation	\$18,015,353	\$6,330,374	\$2,674,297	\$1,246	\$9,009,436
Percent Increase	8.60%	6.48%	38.33%	17.29%	8.60%

*This amount differs from the amount reflected in the table on page 11 because it separates out the impact of the FY 2008-09 supplemental into a different line item. Numbers may not add due to rounding.

The Department's preliminary supplemental request for FY 2008-09 was discussed on the previous pages. The DHS Community Funding for Individuals with Developmental Disabilities reflects the Medicaid MH impacts for adding new waiver slots for the DD waiver programs. This information was presented to the Committee in the staff briefing presented November 19, 2008 on the Department of Human Services. Following is a brief discussion on the caseload base change request for the Department's FY 2009-10 request.

Caseload and per-capita cost updated estimates for the MH capitation program: The Department's FY 2009-10 request includes a total fund increase of \$13.8 million (\$5.2 million General Fund) for

increases related to Medicaid caseload growth and mental health capitation rate increases. Table 6 compares the Department's FY 2009-10 mental health capitation estimates with the Department's revised cost estimates for FY 2008-09.

Table 6: FY 2009-10 Appropriation Compared to Department's FY 2008-09 Expenditure Estimate							
Eligible MH Medicaid Caseload	FY 2008-09 Revised Estimate			FY 2009-10 Budget Request			Cost Difference
	Caseload Projection	Weighted Capitation Estimate for Aid Category	Cost Estimate	New Caseload Projection	Weighted Capitation Trend for Aid Category	New Cost Estimate	
SSI 65+	37,155	\$163.98	\$6,092,805	37,478	\$175.36	\$6,572,319	\$479,514
Disabled Individuals	56,839	\$1,531.28	\$87,036,624	57,387	\$1,640.05	\$94,117,326	\$7,080,702
Non-Disabled Adults	64,464	\$254.07	\$16,378,673	67,270	\$265.31	\$17,847,206	\$1,468,533
Breast and Cervical Cancer Treatment Patients	285	\$254.99	\$72,672	303	\$265.97	\$80,589	\$7,917
Children	225,209	\$190.93	\$42,998,197	233,082	\$198.75	\$46,325,631	\$3,327,434
Foster Children	<u>17,968</u>	<u>\$3,310.52</u>	<u>\$59,483,386</u>	<u>18,682</u>	<u>\$3,263.33</u>	<u>\$60,965,542</u>	<u>\$1,482,156</u>
Total	401,920	n/a	\$212,062,357	414,202	n/a	\$225,908,613	\$13,846,256

Notable FY 2009-10 Budget Changes:

The FY 2009-10 changes as compared to the FY 2008-09 revised estimate are primarily comprised of the following factors:

- ✓ **\$5.5 million** total funds for a **3.1 percent caseload** (12,282 clients) increase over the FY 2008-09 estimate of 401,920 clients, for a total FY 2009-10 mental health Medicaid caseload of 414,202 clients.
- ✓ **\$8.2 million** total funds for per capita rate changes. The per capita changes vary by aid category but overall result in 1.67 percent increase.
- ✓ The compounding impact of these two factors is \$122,922.

Table 7 on the following page shows the caseload and per capita changes by aid category.

Table 7: Analysis of FY 2007-08 Over-expenditure Based on Caseload and Cost Growth

Aid Category	Caseload Growth	Net Cost Per Client Difference	Cost Associated with Higher Caseload Estimate	Cost Associated with Higher Cost Estimate	Compounding Effect	Total Costs
SSI 65+	323	\$11.38	\$52,967	\$422,871	\$3,676	\$479,514
Disabled Individuals	548	\$108.76	\$839,143	\$6,181,957	\$59,602	\$7,080,702
Non-Disabled Adults	2,806	\$11.23	\$712,934	\$724,081	\$31,518	\$1,468,533
Breast and Cervical Cancer Treatment Patients	18	\$10.98	\$4,590	\$3,130	\$198	\$7,917
Children	7,873	\$7.83	\$1,503,158	\$1,762,656	\$61,620	\$3,327,434
Foster Children	714	(\$47.19)	\$2,363,710	(\$847,862)	(\$33,692)	\$1,482,156
Total	12,282	n/a	\$5,476,502	\$8,246,832	\$122,922	\$13,846,256

Change to the Fee-For-Service Line Item: The Department's budget request also reflects a total fund increase of \$43,917 for the Mental Health Fee-for-Service line item in FY 2009-10 over the Department's current FY 2008-09 estimate. The Department's FY 2009-10 estimate is an increase of 3.1 percent to reflect the Department's estimated increase in eligible caseload.

Lastly, Table 8 below shows the Department's FY 2009-10 fund source changes for the Mental Health Community Program Division.

Table 8: FY 2009-10 Fund Splits for Mental Health Community Programs DIVISION

	Revised FY 2008-09 Estimate*	Department FY 2009-10 Request*	Difference (Req - Est.)
General Fund	\$98,816,799	\$104,029,226	\$5,212,427
CF -- Health Care Expansion Fund	\$7,839,198	\$9,579,111	\$1,739,913
CF -- BCCTP Program	\$17,788	\$9,879	(\$7,909)
CF -- Autism Fund	\$57,422	\$61,502	\$4,080
RF -- DPHE Transfer for BCCTP Program	\$7,648	\$8,451	\$803
<u>Federal Funds</u>	<u>\$106,760,656</u>	<u>\$113,712,340</u>	<u>\$6,951,684</u>
Total Funds	\$213,499,512	\$227,400,509	\$13,900,997

*Includes all requests and line items for the Mental Health Community Programs Division.

Staff Comment on Budget Request: Last year, staff expressed concern related the Department's forecast methodology for mental health capitation. Staff believed that the Department's forecast did not properly account for known capitation rates contracted before the start of a fiscal year. Based on staff's concerns, the Committee requested information from the Department on whether better greater budget accuracy would be achieved if caseload and capitation payments were estimated and tracked for each Regional Behavioral Center (Request for Information #26).

The Governor directed the Department not to comply with the RFI #26. The reasons the Governor gave were: *"First, the Medicaid mental health budget was transferred to the department in FY 2005-06 with the passage of House Bill 04-1265. Second, the executive maintains the flexibility to adapt budgeting methodology as it best sees fit to ensure accuracy as needed. Finally, the department has an impending request for proposal to re-procure the delivery of mental health services. Responses to the request are to be based on the current methodology for caseload and rates which would be invalidated if changes to the methodology for caseload and rates which would be invalidated if changes to the methodology occur."*

Even though Governor Ritter directed the Department not to comply with RFI #26, the Department provided a report responding to the request. In their response, the Department indicated that budget forecasting by BHO region would not provide a more accurate budget request. The forecast error for five different regional MH capitation forecasts by aid category (essentially 25 forecasts) could be higher than the error when the forecast is performed in the aggregate. The main reasons that the Department gave for this include: (1) in FY 2005-06 eight mental health assessment and service agencies were consolidated into five BHO regions (there is not a lot of historical data); (2) the disproportionate impact of Goebel driven expenditures into one behavioral health organization's rates; and (3) the volatile nature of specific capitation rates as compared to the overall trend of capitation rate increases within respective eligibility categories.

However, while the Department believes forecasting by BHO will not result in greater accuracy, the Department made significant changes to their methodology this year. The Department has moved to a capitation trend forecast model for the revised FY 2008-09 estimate and the FY 2009-10 request. The new methodology examines the trend in capitation rate trends directly, rather than through a per capita methodology. By tying the forecasts directly to the capitation rates, the new methodology should provide more accurate estimates of expenditures by aid category. In addition, the Department now considers the by-BHO caseload mix as part of its forecast. An aggregated, by eligibility category, capitation is created by weighting each BHO's individual rate within an eligibility category by its projected caseload proportion.

The changes in the Department's methodology directly address some of the weaknesses staff believed existed in the previous forecast methodology. The forecast now incorporates the primary cost drivers: the actuarially agreed upon capitation rate and caseload. If nothing else, the forecasts should improve the ability to analyze future forecast errors with greater specificity.

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Health Care Policy and Financing
Medicaid Mental Health Community Programs**

BRIEFING ISSUE

ISSUE: Reprourement of the Mental Health Capitation Contracts

The Department anticipates that the reprourement for the Medicaid Mental Health Capitation Contracts will be complete by July 1, 2009. For the most part, the services required under the new contracts will be similar to the services provided under the current contracts.

SUMMARY:

- ❑ The bid process is based on the ability of the provider to perform and contract for the mental health services required under the contract. The bid process is not a competitive pricing procurement. The pricing for the services must be based on actuarially sound principles and in compliance with federal rules (42 C.F.R. 438.6 (c)) issued by the Centers for Medicare and Medicaid Services (CMS). The Department does not anticipate any changes to the current rate setting methodology during the first year (FY 2009-10) of the new contracts.
- ❑ While the Department desires to add substance abuse treatment and additional responsibilities to the contract for care coordination, these services will not be part of the contracts for FY 2009-10. However, the Department has asked bidders to respond to the possibility of providing these services in the future if funding were to become available.

RECOMMENDATION:

Staff recommends that the Department present their vision for the future direction of the Medicaid Mental Health Program including:

- a) How to integrate mental health services with the provision of other health and social services such as substance abuse, chronic physical illnesses, (such as diabetes or heart disease) and social services.
- b) What other treatments would be available if the Department expands services from behavioral health "Covered Diagnosis" to include other mental health needs?

DISCUSSION:

Background: The Colorado Medicaid Community Mental Health Services (MH) program provides mental health care under a 1915 (b) Managed Care/Freedom of Choice Waiver from the Centers for Medicare and Medicaid Services (CMS). Five nonprofit Behavioral Health Organizations (BHOs) are

paid a capitated rate (per member per month) for the management and delivery of services in their geographic areas. The community mental health centers (CMHCs) that comprise the primary provider networks for each of the BHOs have varying degrees of controlling interests in the BHOs and are subcapitated for services. The BHOs also contract with other community providers in order to maintain an adequate network access and expertise. The five geographical BHO areas include:

- (1) Northeast: Larimer, Weld Morgan, Logan, Sedgwick, Phillips Yuma, Washington, Kit Carson, Chyenne, Lincoln, Elbert counties with approximately 47,547 enrollees.
- (2) Metro: Denver county with approximately 68,818 enrollees.
- (3) Metro West: Boulder, Broomfield, Gilpin, Clear Creek, Jefferson counties with approximately 45,623 enrollees.
- (4) Metro East: Adams, Arapahoe, Douglas counties with approximately 90,048 enrollees.
- (5) Western/Southern: all remaining counties with approximately 142,420 enrollees.

The current BHO contracts expire at the end of FY 2008-09. Therefore, the Department released a request for proposal (RFP) on November 6, 2008 for new contracts with a start date of July 1, 2009. The schedule for the RFP process is as follows:

RFP Published:	11/06/08
Vendor questions due:	12/03/08
Department responses due:	12/10/08
Proposals due:	1/07/09
Notice of intent to award:	week of 2/9/09
Contract negotiation:	from notice of award to late April
Contract execution:	5/1/09 or once Long Bill signed
Contract implementation:	7/1/09

BHO Request for Proposals: The RFP that the Department released, for the most part, maintains the current MH system and requirements. Under the RFP, the five geographical regions are unchanged and the clients eligible for Medicaid MH services remain the same.² As far as the service delivery is concerned, the major change in the RFP is that all BHOs will be required to provide some access to 1915 (b) (3) waiver services, while in the past contract some of these services were optional. The mandatory MH services required under the new RFP are shown in Table 1 on the following page.

²For the most part, all Medicaid recipients are eligible for mental health services, except for undocumented aliens and partial dual eligibles for the Medicare/Medicaid program. In addition, Medicaid clients ages 21 to 64 in the mental health institutes, PACE program, and Regional Centers are ineligible.

Table 1: Mandatory Services that Must Be Provided Under the RFP

Required MH Services	1915 (b) (3) Required Services
<p>Inpatient Hospital--Adult 21-64: A program of psychiatric care in which the client remains 24 hours a day in hospital care. This service is limited to 45 days per state fiscal year. Clients committed in the Colorado Mental Health Institutes do not qualify for payment under Medicaid under this provision.</p>	<p>Vocation Services: Services designed to assist adult and adolescent clients with developing skills consistent with employment or in obtaining employment.</p>
<p>Inpatient Hospital -- Under 21: A program of psychiatric care in which the client remains 24 hours a day in hospital care. This service is limited to 45 days per state fiscal year except as otherwise required by EPSDT.</p>	<p>Home-Based Services for Children and Adolescents: Therapeutic services to address the mental health needs of children with serious emotional disturbances, provided in their homes and involving family members.</p>
<p>Inpatient Hospital -- 65 and Over: A program of care ofr clients 65 and over where they remain 24 hours a day in an institution for mental diseases, or other facility licensed as a hospital by the State. This service is limited to 45 days during a fiscal year.</p>	<p>Intensive Case Management: Community-based services averaging more than one hour per week provided to clients at risk of institutional care (inpatient or other 24 hour care).</p>
<p>Outpatient Care -- a program of care where the client may receive services in a hospital or other health facility (but does not stay 24 hours a day) including: (1) Psychiatrists, (2) Psychosocial Rehabilitation including group and individual therapies; (3) school-based services; (4) case management services, and (5) medication management services.</p>	<p>Clubhouse and Drop-in Centers: In clubhouses, clients assist in clerical work, data input, meal preparation, providing resource information and reaching out to fellow members. In drop-in centers, members with mental illnesses plan and conduct programs and activities in a club-like setting.</p>
<p>Emergency Services -- Services provided during a mental health emergency which involve unscheduled, immediate, or special interventions in response to a crisis situation with a client.</p>	<p>Assertive Community Treatment (ACT): A service delivery model providing comprehensive, individualized treatment to adult clients with serious mental illness. ACT services are provided by a multidisciplinary treatment team and are available 24 hours a day, 7 days a week, 365 days a year.</p>
	<p>Prevention/Early Intervention Activities: Screening and outreach to identify at-risk populations.</p>
	<p>Residential: Any type of 24 hour care, excluding room and board, provided in a non-hospital, non-nursing home setting, where the clients receive therapeutic care is a supervised setting.</p>
	<p>Recovery Services: ecovery-oriented services to promote self-managemetn of psychiatric symptoms, relapse prevention, treatment choices, mutual support, enrockment, social supports, and rights protection.</p>
	<p>Respite Services: Temporary or short-term care of a client to provide the caregiver with time away from the member in order to emotionally recharge.</p>

In addition, to the requirement to provide some client access to all 1915(b)(3) waiver services, other anticipated changes to the BHO contracts include: expanded/flexible hours at clinic service sites, increased attention to cultural competency and awareness, increased number of performance measures to support improved quality, increased accountability for network adequacy, increased focus on services

for transitional age youth (14-25), and increased focus on outreaching and improving access to services for special behavioral health populations.

At this time, the Department does not anticipate that the RFP bid will result in "additional costs" to the system. The bids will be awarded based on the offeror's ability to provide services based on the current methodology for determining the capitation payment. Actuarially sound rates are calculated by category of eligibility (aid category) and BHO region. Offerors are required to procure the services of an actuary to certify that the rate ranges are sufficient and adequate to provide for the financial soundness of the contractor.

Optional Services: In the RFP process, the Department is seeking information regarding providing services that are not currently part of the BHO contract or were included to a lesser extent. At this time, the Department has not requested funding for these services. Therefore, if these services were to be added sometime during the five years of the contract period, the Department would need to seek additional funding through a separate budget action. The optional services included in the RFP are as follows:

1. ***Substance Use Disorder Outpatient Benefit:*** The Department currently provides a limited fee-for-service outpatient substance abuse benefit (funded in the Medical Services Premiums line item) and a limited inpatient rehabilitation benefit for adolescents is also provided through the EPSDT program. However, the Department requested the offeror's respond on adding substance abuse treatment under the BHO contracts, whether or not the client has a co-occurring mental illness diagnosis. At this time, the Department does not have plans to add this option to the BHO contract for FY 2009-10. The offeror's were just asked to describe how they would integrate outpatient substance abuse into the program should funding become available to do so.
2. ***Enhanced Care Coordination Services:*** In the RFP, the Department stated that they seek to align the MH program more closely with current trends in behavioral health services, including increased responsibility of its Contractors for care coordination services. Care coordination includes the coordination of all care, including non-medical care, affecting an individual's health and well-being (e.g. providing connection to community housing, child care, long-term care, and employment resources). Again, because additional funding is not available to add this option under the FY 2009-10 contract, the offeror's were just asked to describe how they would address optional care coordination requirements in the baseline RFP as well as the enhanced services that the Department described under this option.
3. ***Prevention/Early Intervention Services:*** Prevention/early intervention services are included in the current contract as Section 1915(b) (3) waiver services. However, the Department stated in their RFP that an analysis of encounter data submitted showed that the primary allocation of costs and focus of these services in on existing clients. The Department seeks to expand the type, volume and focus of these services under a new administrative requirement. The Department wanted offerors to increase screening, outreach and other activities designed to

identify and serve at-risk populations within their service regions. Again, because additional funding was not available to add this option under the FY 2009-10 contract, the offeror's were just asked to describe how they would address increased prevention/early intervention activities.

Future Issues: Lastly, as part of their RFP, the Department identified the following future issues that could require revision to the statement of work included:

- (1) financing reform to support integrated behavioral health services;
- (2) expanding the covered diagnoses and/or scope of services;
- (3) development of electronic cross-system data sharing;
- (4) adding CBHP children to the mental health benefits covered by the BHOs;
- (5) changes to the way residential treatment is administered;
- (6) management of psychotropic medications by the BHOs;
- (7) rebalancing of current BHO service areas; and
- (8) changes to the current retroactive eligibility policy.

Some of the barriers that the Department has noted to staff regarding the coordination between mental and physical health include:

- (1) HIPAA and restrictions on exchange of information;
- (2) Lack of common or electronic health records, thereby making it difficult to access or share health information about a client;
- (3) Physical and mental health services are siloed in different agencies, programs, and funding streams;
- (4) Overall, more behavioral health services are provided in the physical health system and other human services system (e.g. child welfare, schools, corrections) than in the designated behavioral health system; and
- (5) Concerns that better coordination of physical/mental health care in Medicaid will result in far more savings on the physical health side. How would incentive or performance pay be shared more equitably.

At the Department's hearing, staff recommends that the Department present to the Committee how their plans for better integration in the physical health system will impact the mental health system for Medicaid clients. In addition, staff recommends that the Committee specifically discuss with the Department what services would be included if the Department were to expand the current definition of behavioural health "covered diagnosis" requirement and what the impact to costs would be from such a proposal.

FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Health Care Policy and Financing
Appendix A: Number Pages -- Medicaid Mental Health Community Program Division Only

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Appropriation	FY 2009-10 Request	Change Req. #	% Change from App.
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Department of Health Care Policy and Financing
Executive Director: Joan Henneberry

(Primary Functions: Administration of Medicaid, the Colorado Indigent Care Program, S.B. 00-71 Comprehensive Primary and Preventative Care Grant Program, Old Age Pension Health and Medical Fund Services, and the Children's Basic Health Plan).

(3) Medicaid Mental Health Community Programs

(Primary Functions: Mental health programs for Medicaid eligible clients.)

Mental Health Capitation for Medicaid Clients	<u>184,640,568</u>	<u>196,011,033</u>	<u>207,799,886</u>	<u>225,919,437</u>	DI #2, NP #3	
General Fund	89,832,730	94,172,151	96,906,217	103,288,690	IBC #8.09, 8.54 & 8.58	
Cash Funds	0	0	6,976,195	9,650,492		
CFE/Reappropriated Funds	2,481,026	4,311,729	7,205	8,451		
Federal Funds	92,326,812	97,527,153	103,910,269	112,971,804		
Medicaid Mental Health Fee for Service Payments	<u>1,367,867</u>	<u>1,335,736</u>	<u>1,585,270</u>	<u>1,481,072</u>	DI #2	
General Fund	683,934	667,868	792,635	740,536		
Federal Funds	683,933	667,868	792,635	740,536		
Medicaid Anti-Psychotic Pharmaceuticals	<u>34,294,729</u>	<u>0</u>	<u>0</u>	<u>0</u>		
CFE/Reappropriated Funds	34,294,729	0	0	0		
Request vs. Appropriation						
SUBTOTAL -- Medicaid Mental Health Community Programs	<u>220,303,164</u>	<u>197,346,769</u>	<u>209,385,156</u>	<u>227,400,509</u>		<u>8.60%</u>
General Fund	90,516,664	94,840,019	97,698,852	104,029,226		6.48%
Cash Funds	0	0	6,976,195	9,650,492		n/a
CFE/Reappropriated Funds	36,775,755	4,311,729	7,205	8,451		17.29%
Federal Funds	93,010,745	98,195,021	104,702,904	113,712,340		8.60%

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
Department of Health Care Policy and Financing
Medicaid Mental Health Community Programs**

APPENDIX B: SUMMARY OF MAJOR LEGISLATION

- **S.B. 08-7 (Windels, Stafford) Jail Inmate Application Assistance:** Creates the Inmate Assistance Demonstration Grant Program to provide grants to counties for the purpose of assisting inmates in county jails to access health care, housing, and employment benefits. Connects inmates with appropriate public benefits, including mental health treatment. Appropriates \$279,000 General Fund to the Department of Human Services and a total of \$2,000 (including \$1,000 General Fund and \$1,000 federal funds) to the Department of Health Care Policy and Financing for the implementation of the act in FY 2008-09. Also reduces the FY 2008-09 Long Bill appropriation for the Controlled Maintenance Trust Fund by \$279,000 General Fund.

- **S.B. 08-160 (Hagedorn, McGihon) Children's Health Care:** Expands eligibility in the Children's Basic Health Plan (CBHP) from 205 percent to 225 percent of federal poverty level (FPL) for children (beginning in March 2009) and for pregnant women (beginning in October 2009). Also allows the Department of Health Care Policy and Financing to increase CBHP eligibility to 250 percent of FPL if appropriations become available to fund the program at this level. The bill also increases the CBHP mental health benefit for children to be as comprehensive as the mental health benefit in the Medicaid program. Provides the following appropriations for FY 2008-09: \$2,245,037 cash funds, \$30,328 reappropriated funds (transferred from the CBHP Trust Fund), and \$4,096,796 federal funds to the Department of Health Care Policy and Financing; and \$21,776 cash funds, \$31,866 reappropriated funds (transferred from the Department of Health Care Policy and Financing) and \$38,164 federal funds to the Department of Human Services.

**FY 2009-10 Joint Budget Committee Staff Budget Briefing
 Department of Health Care Policy and Financing
 Medicaid Mental Health Community Programs**

**APPENDIX C: UPDATE OF FY 2008-09
 LONG BILL FOOTNOTES AND REQUESTS FOR INFORMATION**

Long Bill Footnotes

No footnotes specifically addressed this Division.

Requests for Information

20 Department of Health Care Policy and Financing, Medical Services Premiums -- The Department is requested to submit a report on the managed care organizations' capitation rates for each population and the estimated blended rate for each aid category in effect for FY 2008-09 to the Joint Budget Committee by July 25, 2008. The Department is requested to include in the report a copy of each managed care organization's certification that the reimbursement rates are sufficient to assure the financial stability of the managed care organization with respect to delivery of services to the Medicaid recipients covered in their contract pursuant to Section 25.5-5-403 (1) (l), C.R.S.

Comment: The Department submitted the requested information. This information is used by staff to track annual increases to rates for managed care organizations and behavior health organizations. Below are the current capitation rates for each aid category by behavioral health organization.

Itemized Capitation Rates									
Table 1: BHO Rates for Elderly									
BHO		FY 2007-08 Capitation Rate	% of Claims	Weighted Average Capitation FY 07-08	FY 08-09 Q1 and Q2 Capitation Rate	Weighted Average Capitation FY FY 08-09 Q1 and Q2	FY 08-09 Q3 and Q4 Capitation Rate	Projected % of Claims	Weighted Average Capitation Q3 and Q4 FY 08-09
ABC	Elderly	\$19.03	19.33%	\$13.16	\$19.73	\$13.65	\$18.53	19.34%	\$13.59
BHI		\$8.78	20.12%		\$9.08		\$9.21	20.31%	
CHP		\$13.98	35.74%		\$14.50		\$14.80	35.53%	
FBH		\$13.81	12.90%		\$14.32		\$14.81	12.95%	
NBH		\$7.86	11.91%		\$8.15		\$8.08	11.87%	

Table 2: BHO Rates for Disabled									
BHO		FY 2007-08 Capitation Rate	% of Claims	Weighted Average Capitation FY 07-08	FY 08-09 Q1 and Q2 Capitation Rate	Weighted Average Capitation FY FY 08-09 Q1 and Q2	FY 08-09 Q3 and Q4 Capitation Rate	Projected % of Claims	Weighted Average Capitation Q3 and Q4 FY 08-09
ABC	Disabled	\$152.72	18.90%	\$113.97	\$158.37	\$118.19	\$162.84	18.83%	\$128.88
BHI		\$121.78	18.26%		\$126.29		\$129.56	18.28%	
CHP		\$92.03	39.33%		\$95.44		\$109.24	39.34%	
FBH		\$140.06	12.87%		\$145.24		\$158.16	12.70%	
NBH		\$82.30	10.83%		\$85.35		\$103.84	10.85%	

Table 3: BHO Rates for Low-Income Adults

BHO		FY 2007-08 Capitation Rate	% of Claims	Weighted Average Capitation FY 07-08	FY 08-09 Q1 and Q2 Capitation Rate	Weighted Average Capitation FY FY 08-09 Q1 and Q2	FY 08-09 Q3 and Q4 Capitation Rate	Projected % of Claims	Weighted Average Capitation Q3 and Q4 FY 08-09
ABC	Adults	\$11.89	15.74%	\$17.51	\$12.12	\$18.16	\$12.22	15.93%	\$18.81
BHI		\$16.52	22.21%		\$17.13		\$17.49	22.20%	
CHP		\$19.57	38.51%		\$20.29		\$20.85	38.47%	
FBH		\$22.70	10.97%		\$23.54		\$25.54	10.81%	
NBH		\$15.70	12.57%		\$18.28		\$17.51	12.59%	

Table 4: BHO Rates for Low-Income Children

BHO		FY 2007-08 Capitation Rate	% of Claims	Weighted Average Capitation FY 07-08	FY 08-09 Q1 and Q2 Capitation Rate	Weighted Average Capitation FY FY 08-09 Q1 and Q2	FY 08-09 Q3 and Q4 Capitation Rate	Projected % of Claims	Weighted Average Capitation Q3 and Q4 FY 08-09
ABC	Children	\$10.82	18.12%	\$13.94	\$11.22	\$14.46	\$10.89	18.22%	\$14.67
BHI		\$14.00	25.09%		\$14.52		\$14.79	25.18%	
CHP		\$14.80	34.01%		\$15.35		\$15.23	33.91%	
FBH		\$18.88	10.45%		\$19.58		\$19.88	10.34%	
NBH		\$11.83	12.33%		\$12.27		\$14.12	12.35%	

Table 5: BHO Rates for Foster Children

BHO		FY 2007-08 Capitation Rate	% of Claims	Weighted Average Capitation FY 07-08	FY 08-09 Q1 and Q2 Capitation Rate	Weighted Average Capitation FY FY 08-09 Q1 and Q2	FY 08-09 Q3 and Q4 Capitation Rate	Projected % of Claims	Weighted Average Capitation Q3 and Q4 FY 08-09
ABC	Foster	\$202.28	16.42%	\$262.45	\$209.76	\$272.16	\$201.56	16.52%	\$239.68
BHI		\$289.94	21.35%		\$300.67		\$280.96	21.35%	
CHP		\$292.52	35.41%		\$303.34		\$250.01	35.31%	
FBH		\$259.71	13.21%		\$269.32		\$232.14	13.20%	
NBH		\$216.37	13.62%		\$224.38		\$201.83	13.60%	

*Abbreviations used in tables above: ABC - Access Behavioral Health; BHI -- Behavioral Health Care Inc.; CHP -- Colorado Health Networks; FBH -- Foothills Behavioral Health; and NBH -- Northeast Behavioral Health.

As the tables show, there are still wide variations between BHOs for different rate categories. However, the variance in rates paid have been compressed. For example, the FY 2007-08 capitation rates for foster children varied from a low of \$202.28 (ABC) to \$292.52 (CHP), or by 44.6 percent. However, the rates for the second half of FY 2008-09 show foster children rates vary from a low of \$201.56 (ABC) to a high of \$280.96 (BHI), or by 39.4 percent.

In the 2006 Performance Audit of the Mental Health rate setting process, one of the weaknesses noted was that the price encounter data perpetuated broad discrepancies in capitation rates. At that time, the auditors found that the Department's practices perpetuated broad rate disparities and resulted in a cost-based reimbursement system that may not reflect reasonable and appropriate costs for services provided. In FY 2007-08 and FY 2008-09, the General Assembly provided a total of \$375,000 for the Department to develop a standardized encounter data reporting manual for use by providers, and to assess and verify the fee schedule for mental health encounter claims in order to create a standard mental health fee schedule that is reflective of reasonable and appropriate rates. Currently, this project is ongoing and should be completed by the end of FY 2008-09.

26 **Department of Health Care Policy and Financing, Medicaid Mental Health Community Programs, Mental Health Capitation Payments** -- The Department is requested to provide recommendations to the Joint Budget Committee by November 1, 2008 on whether greater budget accuracy would be achieved if caseload and capitation payments were estimated and tracked for each Regional Behavioral Center. In developing their recommendations, the Department will note any additional administrative costs associated with changing systems to track caseload data in this manner and to compile and report on the data.

Comment: The Department submitted the requested report. Please see issue #1 of this briefing description for a discussion on the findings in the report.

27 **Department of Health Care Policy and Financing, Medicaid Mental Health Community Programs** -- The Department is requested to report in their annual budget submission the amount of expenditures for each year for anti-psychotic pharmaceuticals.

Comment: The Department submitted the requested information with their FY 2009-10 budget request. The following table provides a summary of the expenditures for anti-psychotic pharmaceuticals.

Fiscal Year	Net Antipsychotic Drug Expenditures
FY 2001-02	\$19,442,550
FY 2002-03	\$24,617,474
FY 2003-04	\$32,669,688
FY 2004-05	\$34,232,981
FY 2005-06	\$27,105,417
FY 2006-07	\$23,700,138
FY 2007-08	\$29,109,937