

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2011-12 STAFF FIGURE SETTING
RECOMMENDATIONS**

DEPARTMENT OF HUMAN SERVICES

(Services for People with Disabilities, and related administrative functions)

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

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FY 2010-11 Joint Budget Committee Staff Figure Setting Recommendations
Department of Human Services
(Services for People with Disabilities, and related administrative functions)

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		
	Actual	Actual	Appropriation	Request	Staff Rec.	Change Requests
DEPARTMENT OF HUMAN SERVICES						
EXECUTIVE DIRECTOR: Karen Beye						
(9) SERVICES FOR PEOPLE WITH DISABILITIES						
<i>Primary functions: Administers community-based and institutional services for people with developmental disabilities, provides vocational rehabilitation services, and administers the Homelake Domiciliary and veterans nursing homes.</i>						
(A) Community Services for People with Developmental Disabilities						
<i>Primary functions: Funding for 20 Community Centered Boards (CCBs), and contracting service agencies, to: (1) deliver community-based residential and supported living services for adults with developmental disabilities; and (2) deliver early intervention, family support services, and children's extensive support services for children with developmental disabilities and delays. Also, funds associated case management by CCBs and state administration and oversight. Medicaid revenue is the primary source of reappropriated funds; local and client payments to CCBs are reflected as cash funds.</i>						
(1) Administration						
Personal Services	2,639,111	2,852,792	2,916,182	2,890,242	2,903,636	
FTE	<u>32.8</u>	<u>35.0</u>	<u>36.0</u>	<u>36.0</u>	<u>36.0</u>	
General Fund	273,646	195,175	226,918	224,718	225,893	
CF - private ins. Early Intervention Services Trust Func	33,000	40,765	79,704	81,530	80,307	
RF - Medicaid	2,332,465	2,616,852	2,609,560	2,583,994	2,597,436	
GF	1,166,233	1,308,426	1,304,780	1,291,997	1,298,718	
FF	1,166,232	1,308,426	1,304,780	1,291,997	1,298,718	
Operating Expenses	<u>151,295</u>	<u>144,399</u>	<u>143,019</u>	<u>143,019</u>	<u>143,019</u>	
CF - private ins. Early Intervention Services Trust Func	0	6,178	7,128	7,128	7,128	
RF - Medicaid	151,295	138,221	135,891	135,891	135,891	
GF	75,648	69,111	67,946	67,946	67,946	
FF	75,647	69,110	67,945	67,945	67,945	
Community and Contract Management System	<u>137,480</u>	<u>106,644</u>	<u>137,480</u>	<u>137,480</u>	<u>137,480</u>	
General Fund	41,244	36,194	41,244	41,244	41,244	
RF - Medicaid	96,236	70,450	96,236	96,236	96,236	
GF	48,118	35,225	48,118	48,118	48,118	
FF	48,118	35,225	48,118	48,118	48,118	

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	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change Requests
	Actual	Actual	Appropriation	Request	Staff Rec.	
Medicaid Waiver Transition Costs NEEDS ASSESSMENTS						
RF - Medicaid	79,028	92,293	79,663	79,663	70,000	
<i>GF</i>	39,514	46,147	39,832	39,832	35,000	
<i>FF</i>	39,514	46,146	39,831	39,831	35,000	
Subtotal - (1) Administration	3,006,914	3,196,128	3,276,344	3,250,404	3,254,135	
FTE	<u>32.8</u>	<u>35.0</u>	<u>36.0</u>	<u>36.0</u>	<u>36.0</u>	
General Fund	314,890	231,369	268,162	265,962	267,137	
CF - private ins. Early Intervention Services Trust Func	33,000	46,943	86,832	88,658	87,435	
RF - Medicaid	2,659,024	2,917,816	2,921,350	2,895,784	2,899,563	
<i>GF</i>	1,329,512	1,458,908	1,460,675	1,447,892	1,449,782	
<i>FF</i>	1,329,512	1,458,908	1,460,675	1,447,892	1,449,781	
<i>Net General Fund</i>	<i>1,644,402</i>	<i>1,690,277</i>	<i>1,728,837</i>	<i>1,713,854</i>	<i>1,716,919</i>	
(2) Program Costs						
Adult Comprehensive Services	<u>248,063,888</u>	<u>286,235,602</u>	<u>269,004,046</u>	<u>284,973,154</u>	<u>289,683,369</u>	
General Fund	693,077	1,550,603	1,650,459	4,522	0	
CF - client cash	28,340,125	30,405,852	30,798,715	30,883,095	30,798,715	
RF - Medicaid	219,030,686	254,279,147	236,554,872	254,085,537	258,884,654	
<i>GF</i>	109,515,343	97,668,620	118,277,436	127,042,769	129,442,328	
<i>FF</i>	109,515,343	156,610,527	118,277,436	127,042,769	129,442,326	
Adult Supported Living Services	<u>53,934,755</u>	<u>44,974,958</u>	<u>52,317,915</u>	<u>47,753,275</u>	<u>41,349,162</u>	
General Fund	7,543,037	7,575,159	7,974,941	7,616,069	7,616,069	
RF - Medicaid	46,391,718	37,399,799	44,342,974	40,137,206	33,733,093	
<i>GF</i>	23,195,859	14,365,263	22,171,487	20,068,603	16,866,547	
<i>FF</i>	23,195,859	23,034,536	22,171,487	20,068,603	16,866,546	
Early Intervention Services						
General Fund	11,062,198	11,098,328	12,798,328	16,446,696	14,960,930	
Family Support Services						
General Fund	2,629,871	6,416,610	6,219,699	2,169,109	0	

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	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change Requests
	Actual	Actual	Appropriation	Request	Staff Rec.	
Children's Extensive Support Services						
RF - Medicaid	6,913,410	7,158,025	6,576,446	6,513,792	7,873,966	
<i>GF</i>	2,960,322	2,338,218	2,887,835	2,737,353	3,936,982	
<i>CF - Health Care Expansion Fund</i>	496,383	411,179	400,388	519,543	1	
<i>FF</i>	3,456,705	4,408,628	3,288,223	3,256,896	3,936,983	
Case Management and Quality Assurance	<u>18,114,887</u>	<u>21,501,608</u>	<u>22,370,389</u>	<u>28,189,882</u>	<u>25,622,801</u>	
General Fund	3,021,894	2,979,204	3,888,010	3,818,899	4,768,210	
RF - Medicaid	15,092,993	18,522,404	18,482,379	24,370,983	20,854,591	
<i>GF</i>	6,462,821	7,330,617	9,214,571	12,150,954	10,427,296	
<i>CF - Health Care Expansion Fund</i>	1,083,676	130,559	26,618	34,538	0	
<i>FF</i>	7,546,496	11,061,228	9,241,190	12,185,492	10,427,295	
Special Purpose	<u>993,624</u>	<u>731,416</u>	<u>879,572</u>	<u>879,572</u>	<u>879,572</u>	
General Fund	503,523	463,554	360,844	360,844	360,844	
RF - Division of Voc. Rehab.	457,599	241,141	481,488	481,488	481,488	
RF - Medicaid	32,502	26,721	37,240	37,240	37,240	
<i>GF</i>	16,251	13,361	18,620	18,620	18,620	
<i>FF</i>	16,251	13,361	18,620	18,620	18,620	
Subtotal - (2) Program Costs	<u>341,712,633</u>	<u>378,116,547</u>	<u>370,166,395</u>	<u>386,925,480</u>	<u>380,369,800</u>	
General Fund	25,453,600	30,083,458	32,892,281	30,416,139	27,706,053	
CF - client cash	28,340,125	30,405,852	30,798,715	30,883,095	30,798,715	
RF - Division of Voc. Rehab.	457,599	241,141	481,488	481,488	481,488	
RF - Medicaid	287,461,309	317,386,096	305,993,911	325,144,758	321,383,544	
<i>GF</i>	142,150,596	121,716,079	152,569,949	162,018,298	160,691,773	
<i>CF - Health Care Expansion Fund</i>	1,580,059	541,738	427,006	554,081	1	
<i>FF</i>	143,730,654	195,128,279	152,996,956	162,572,379	160,691,770	
<i>Net General Fund</i>	<u>167,604,196</u>	<u>151,799,537</u>	<u>185,462,230</u>	<u>192,434,437</u>	<u>188,397,826</u>	

(3) Other Community Programs

Federal Special Education Grant for Infants,
 Toddlers and Their Families (Part C)

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	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change Requests
	Actual	Actual	Appropriation	Request	Staff Rec.	
Federal Funds	9,275,752	11,613,767	8,663,047	7,299,847	7,850,192	
FTE	6.4	5.6	6.5	6.5	6.5	
Custodial Funds for Early Intervention Services						
CF - private insurance	3,968,001	7,565,363	7,769,177	7,769,177	3,421,443	
Preventive Dental Hygiene						
General Fund	<u>64,337</u>	<u>60,621</u>	<u>63,051</u>	<u>63,051</u>	<u>63,051</u>	
CF - local contributions	60,621	60,621	59,409	59,409	59,409	
	3,716	0	3,642	3,642	3,642	
Subtotal - (3) Other Community Programs	13,308,090	19,239,751	16,495,275	15,132,075	11,334,686	
FTE	<u>6.4</u>	<u>5.6</u>	<u>6.5</u>	<u>6.5</u>	<u>6.5</u>	
General Fund	60,621	60,621	59,409	59,409	59,409	
CF - private insurance	3,968,001	7,565,363	7,769,177	7,769,177	3,421,443	
CF - local contributions	3,716	0	3,642	3,642	3,642	
Federal Funds	9,275,752	11,613,767	8,663,047	7,299,847	7,850,192	
<i>Net General Fund</i>	<i>60,621</i>	<i>60,621</i>	<i>59,409</i>	<i>59,409</i>	<i>59,409</i>	
Subtotal - (A) Community Services for People with Developmental Disabilities						
	358,027,637	400,552,426	389,938,014	405,307,959	394,958,621	
FTE	<u>39.2</u>	<u>40.6</u>	<u>42.5</u>	<u>42.5</u>	<u>42.5</u>	
General Fund	25,829,111	30,375,448	33,219,852	30,741,510	28,032,599	
Cash Funds	32,344,842	38,018,158	38,658,366	38,744,572	34,311,235	
RF - Division of Voc. Rehab.	457,599	241,141	481,488	481,488	481,488	
RF - Medicaid	290,120,333	320,303,912	308,915,261	328,040,542	324,283,107	
GF	<i>143,480,108</i>	<i>123,174,987</i>	<i>154,030,624</i>	<i>163,466,190</i>	<i>162,141,555</i>	
CF - Health Care Expansion Fund	<i>1,580,059</i>	<i>541,738</i>	<i>427,006</i>	<i>554,081</i>	<i>1</i>	
FF	<i>145,060,166</i>	<i>196,587,187</i>	<i>154,457,631</i>	<i>164,020,271</i>	<i>162,141,551</i>	
Federal Funds	9,275,752	11,613,767	8,663,047	7,299,847	7,850,192	
<i>Net General Fund</i>	<i>169,309,219</i>	<i>153,550,435</i>	<i>187,250,476</i>	<i>194,207,700</i>	<i>190,174,154</i>	

(B) Regional Centers for People with Developmental Disabilities

Primary functions: operates three regional centers that house and provide therapeutic and other services to individuals with

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	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change Requests
	Actual	Actual	Appropriation	Request	Staff Rec.	
<i>developmental disabilities. Reappropriated funds amounts reflect Medicaid revenue. Cash amounts primarily reflect consumer payments for room and board.</i>						
(1) Medicaid-funded Services						
Personal Services	44,266,975	45,792,701	44,304,122	44,244,787	44,329,954	
FTE	<u>909.3</u>	<u>881.0</u>	<u>927.1</u>	<u>927.1</u>	<u>927.1</u>	
CF - Client Cash	3,474,704	2,753,528	2,060,389	2,060,389	2,060,389	
RF - Medicaid	40,792,271	43,039,173	42,243,733	42,184,398	42,269,565	
<i>GF</i>	<i>20,396,136</i>	<i>16,531,346</i>	<i>17,020,000</i>	<i>21,092,199</i>	<i>21,134,783</i>	
<i>FF</i>	<i>20,396,136</i>	<i>26,507,827</i>	<i>25,223,733</i>	<i>21,092,199</i>	<i>21,134,782</i>	
Operating Expenses						
RF - Medicaid	2,450,988	2,228,933	2,439,458	2,439,458	2,439,458	
<i>GF</i>	<i>1,225,494</i>	<i>856,133</i>	<i>982,858</i>	<i>1,219,729</i>	<i>1,219,729</i>	
<i>FF</i>	<i>1,225,494</i>	<i>1,372,800</i>	<i>1,456,600</i>	<i>1,219,729</i>	<i>1,219,729</i>	
Capital Outlay - Patient Needs						
RF - Medicaid	80,080	236,317	72,126	72,126	72,126	
<i>GF</i>	<i>40,040</i>	<i>90,769</i>	<i>29,060</i>	<i>36,063</i>	<i>36,063</i>	
<i>FF</i>	<i>40,040</i>	<i>145,548</i>	<i>43,066</i>	<i>36,063</i>	<i>36,063</i>	
Leased Space						
RF - Medicaid	189,377	49,043	42,820	42,820	42,820	
<i>GF</i>	<i>94,689</i>	<i>18,837</i>	<i>17,253</i>	<i>21,410</i>	<i>21,410</i>	
<i>FF</i>	<i>94,689</i>	<i>30,206</i>	<i>25,567</i>	<i>21,410</i>	<i>21,410</i>	
Resident Incentive Allowance						
RF - Medicaid	137,550	107,323	138,176	138,176	138,176	
<i>GF</i>	<i>68,775</i>	<i>41,223</i>	<i>55,672</i>	<i>69,088</i>	<i>69,088</i>	
<i>FF</i>	<i>68,775</i>	<i>66,100</i>	<i>82,504</i>	<i>69,088</i>	<i>69,088</i>	
Purchase of Services						
RF - Medicaid	261,601	206,123	0	0	0	
<i>GF</i>	<i>130,801</i>	<i>79,172</i>	<i>0</i>	<i>0</i>	<i>0</i>	
<i>FF</i>	<i>130,801</i>	<i>126,951</i>	<i>0</i>	<i>0</i>	<i>0</i>	

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	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		
	Actual	Actual	Appropriation	Request	Staff Rec.	Change Requests
Provider Fee						
RF - Medicaid	N.A.	N.A.	1,867,655	1,867,655	1,867,655	
GF			752,479	933,828	933,828	
FF			1,115,176	933,828	933,827	
<i>Application of Provider Fee to Offset General Fund at Health Care Policy and Financing</i>						
GF	N.A.	N.A.	(1,867,655)	(1,867,655)	(1,867,655)	
Subtotal - (1) Medicaid-funded Services	47,386,571	48,620,440	48,864,357	48,805,022	48,890,189	
FTE	909.3	881.0	927.1	927.1	927.1	
CF - Client Cash	3,474,704	2,753,528	2,060,389	2,060,389	2,060,389	
RF - Medicaid	43,911,867	45,866,912	46,803,968	46,744,633	46,829,800	
GF	21,955,934	17,617,481	16,989,667	21,504,662	16,119,672	
Provider Fee	0	0	1,867,655	1,867,655	1,867,655	
FF	21,955,934	28,249,431	27,946,646	23,372,317	28,842,473	
<i>Net General Fund</i>	21,955,934	17,617,481	16,989,667	21,504,662	16,119,672	
(2) Other Program Costs						
General Fund Physician Services						
General Fund	153,133	85,352	85,228	84,329	84,769	
FTE	0.4	0.5	0.5	0.5	0.5	
ICF/MR Adaptations						
General Fund	236,128	0	0	0	0	
Subtotal - (2) Other Program Costs	389,261	85,352	85,228	84,329	84,769	
General Fund	389,261	85,352	85,228	84,329	84,769	
FTE	0.4	0.5	0.5	0.5	0.5	
Subtotal - (B) Regional Centers	47,775,832	48,705,792	48,949,585	48,889,351	48,974,958	
FTE	909.7	881.5	927.6	927.6	927.6	
General Fund	389,261	85,352	85,228	84,329	84,769	

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	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change Requests
	Actual	Actual	Appropriation	Request	Staff Rec.	
Cash Funds	3,474,704	2,753,528	2,060,389	2,060,389	2,060,389	
RF - Medicaid	43,911,867	45,866,912	46,803,968	46,744,633	46,829,800	
<i>GF</i>	21,955,934	17,617,481	16,989,667	21,504,661	16,119,672	
<i>Provider Fee</i>	0	0	1,867,655	1,867,655	1,867,655	
<i>FF</i>	21,955,933	28,249,431	27,946,646	23,372,317	28,842,473	
<i>Net General Fund</i>	22,345,195	17,702,833	17,074,895	21,588,990	16,204,441	

Subtotal - (C) Work Therapy Program

(Primary functions: Provide sheltered work opportunities to residents of state operated regional centers and the Mental Health Institute at Fort Logan. Cash amounts reflect payments from private businesses and government agencies for work completed.)

Program Costs	348,922	394,606	467,116	467,116	467,116	
FTE	<u>0.2</u>	<u>1.3</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	
CF - sales/services	348,922	389,007	467,116	467,116	467,116	
RF - sales/services	0	5,599	0	0	0	

(D) Division of Vocational Rehabilitation

(Primary functions: provides the services and equipment necessary to help individuals with disabilities secure and/or retain employment. Funds Independent Living Centers to provide assisted living and advocacy services to persons with disabilities. Cash and reappropriated funds amounts reflect payments from collaborating agencies, such as school districts, for vocational services.)

Rehabilitation Programs - General Fund Match	18,791,445	19,337,236	19,268,483	19,116,153	19,202,471	
FTE	<u>212.2</u>	<u>208.0</u>	<u>225.7</u>	<u>225.7</u>	<u>225.7</u>	
General Fund	4,003,175	4,129,396	4,101,039	4,068,860	4,087,293	
Federal Funds	14,788,270	15,207,840	15,167,444	15,047,293	15,115,178	
Rehabilitation Programs - Local Funds Match	19,144,470	14,298,516	31,432,400	31,431,887	31,164,938	
FTE	<u>10.0</u>	<u>18.0</u>	<u>18.0</u>	<u>18.0</u>	<u>18.0</u>	
CF - local communities	1,031,787	0	34,735	34,716	34,417	
RF - schools and state agencies	3,276,251	3,054,637	6,675,600	6,675,510	6,618,720	
Federal Funds	14,836,432	11,243,879	24,722,065	24,721,661	24,511,801	
American Reinvestment and Recovery Act - Vocational Rehabilitation Funding						
Federal Funds	n/a	3,463,571	1,826,761	0	0	

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Business Enterprise Program for People who are Blind	451,065	456,355	1,191,520	1,189,898	1,174,360	
FTE	<u>5.0</u>	<u>4.4</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	
CF - sales/services	96,079	97,204	253,079	252,734	249,435	
Federal Funds	354,986	359,151	938,441	937,164	924,925	
Business Enterprise Program - Program Operated Stands and Operator Benefits	<u>241,168</u>	<u>260,833</u>	<u>429,000</u>	<u>429,000</u>	<u>429,000</u>	
CF - sales/services	125,718	121,916	429,000	429,000	429,000	
RF - sales/services	0	0	0	0	0	
Federal Funds	115,450	138,917	0	0	0	
Independent Living Centers and State Independent Living Council	<u>1,818,648</u>	<u>1,841,642</u>	<u>1,844,160</u>	<u>1,783,431</u>	<u>1,783,431</u>	
General Fund	1,487,351	1,487,351	1,457,604	1,457,604	1,457,604	
CF - independent living grantees	44,902	0	29,621	29,621	29,621	
RF - independent living grantees	0	0	0	0	0	
Federal Funds	286,395	354,291	356,935	296,206	296,206	
Older Blind Grants	<u>450,710</u>	<u>487,943</u>	<u>698,789</u>	<u>698,789</u>	<u>450,000</u>	
CF - recipient match	45,000	0	45,000	45,000	45,000	
Federal Funds	405,710	487,943	653,789	653,789	405,000	
Traumatic Brain Injury Trust Fund						
CF - surcharges for certain driving violations	2,391,227	3,508,724	3,296,652	3,295,701	3,293,103	
FTE	1.1	1.5	1.5	1.5	1.5	
Federal Social Security Administration Reimbursement						
Federal Funds	535,967	167,884	813,741	813,741	813,741	
Subtotal - (D) Vocational Rehabilitation	43,824,700	43,822,704	60,801,506	58,758,600	58,311,044	
FTE	<u>228.3</u>	<u>231.9</u>	<u>251.2</u>	<u>251.2</u>	<u>251.2</u>	
General Fund	5,490,526	5,616,747	5,558,643	5,526,464	5,544,897	
Cash Funds	3,734,713	3,727,844	4,088,087	4,086,772	4,080,576	
Reappropriated Funds	3,276,251	3,054,637	6,675,600	6,675,510	6,618,720	

FY 2010-11 Joint Budget Committee Staff Figure Setting Recommendations
Department of Human Services
(Services for People with Disabilities, and related administrative functions)

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		Change Requests
	Actual	Actual	Appropriation	Request	Staff Rec.	
Federal Funds	31,323,210	31,423,476	44,479,176	42,469,854	42,066,851	
<i>Net General Fund</i>	<i>5,490,526</i>	<i>5,616,747</i>	<i>5,558,643</i>	<i>5,526,464</i>	<i>5,544,897</i>	

(E) Homelake Domiciliary and State and Veterans Nursing Homes

Primary Functions: Operation and management of the six state and veterans nursing homes and Homelake Domiciliary. Cash Funds (formerly Cash Funds Exempt) reflect client fees. Cash funds and federal funds are for information only. The nursing homes are enterprises and have continuous spending authority.

Homelake Domiciliary State Subsidy						
General Fund	186,120	186,130	186,130	186,130	186,130	
Nursing Home Consulting Services						
General Fund	304,502	0	0	0	0	
Nursing Home Indirect Cost Subsidy						
General Fund	800,000	800,000	800,000	800,000	800,000	
Program Costs	51,857,702	51,201,267	54,428,011	54,428,011	48,119,017	
FTE	<u>644.0</u>	<u>673.4</u>	<u>673.4</u>	<u>673.4</u>	<u>673.4</u>	
General Fund	0	0	0	0	0	
CF - client cash	41,423,892	38,522,033	42,453,849	42,453,849	33,258,217	
RF - client cash	78	0	0	0	0	
Federal Funds	10,433,732	12,679,234	11,974,162	11,974,162	14,860,800	

Subtotal - (E) Homelake Domiciliary and State and Veterans Nursing Homes	53,148,324	52,187,397	55,414,141	55,414,141	49,105,147	
FTE	<u>644.0</u>	<u>673.4</u>	<u>673.4</u>	<u>673.4</u>	<u>673.4</u>	
General Fund	1,290,622	986,130	986,130	986,130	986,130	
CF - client cash	41,423,892	38,522,033	42,453,849	42,453,849	33,258,217	
RF - client cash	78	0	0	0	0	
Federal Funds	10,433,732	12,679,234	11,974,162	11,974,162	14,860,800	
<i>Net General Fund</i>	<i>1,290,622</i>	<i>986,130</i>	<i>986,130</i>	<i>986,130</i>	<i>986,130</i>	

FY 2010-11 Joint Budget Committee Staff Figure Setting Recommendations
Department of Human Services
(Services for People with Disabilities, and related administrative functions)

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12		
	Actual	Actual	Appropriation	Request	Staff Rec.	Change Requests
(9) TOTAL - SERVICES FOR PEOPLE WITH DISABILITIES	503,125,415	545,662,925	555,570,362	568,837,167	551,816,886	
FTE	<u>1,821.4</u>	<u>1,828.7</u>	<u>1,896.2</u>	<u>1,896.2</u>	<u>1,896.2</u>	
General Fund	32,999,520	37,063,677	39,849,853	37,338,433	34,648,395	
Cash Funds	81,327,073	83,410,570	87,727,807	87,812,698	74,177,533	
Reappropriated Funds	337,766,128	369,472,201	362,876,317	381,942,173	378,213,115	
Federal Funds	51,032,694	55,716,477	65,116,385	61,743,863	64,777,843	
<i>Net General Fund</i>	<i>198,435,562</i>	<i>177,856,145</i>	<i>210,870,144</i>	<i>222,309,284</i>	<i>212,909,622</i>	

(1) EXECUTIVE DIRECTOR'S OFFICE

(B) Special Purpose

Developmental Disabilities Council

Federal Funds	990,742	819,674	875,525	875,792	870,273	
FTE	4.4	4.0	6.0	6.0	6.0	
Colorado Commission for the Deaf and Hard of Hearing	770,625	850,494	1,037,999	1,009,754	999,752	
FTE	<u>2.7</u>	<u>2.6</u>	<u>5.8</u>	<u>6.3</u>	<u>6.3</u>	
General Fund	131,079	131,429	127,809	124,882	125,974	
Cash Funds	87	0	0	0	0	
RF - Deaf and Hard of Hearing Cash Fund	639,459	719,065	910,190	884,872	873,778	
Colorado Commission for Individuals who are Blind or Visually Impaired						
RF - Deaf and Hard of Hearing Cash Fund	51,121	97,212	112,067	111,002	111,002	
FTE	0.1	0.6	1.0	1.0	1.0	

**JBC WORKING DOCUMENT - ALL DECISIONS SUBJECT TO CHANGE
Staff Recommendation Does Not Represent Committee Decision**

**FY 2011-12 Figure Setting
DEPARTMENT OF HUMAN SERVICES
Services for People with Disabilities**

(9) SERVICES FOR PEOPLE WITH DISABILITIES

The Services for People with Disabilities section includes: Community Services for People with Developmental Disabilities, Regional Centers for People with Disabilities, Work Therapy Program, the Division of Vocational Rehabilitation, and Homelake Domiciliary and the State and Veterans Nursing Homes.

(A) Community Services for People with Developmental Disabilities

Private, community-based providers funded through this subsection deliver the vast majority of services for people with developmental disabilities. State-operated regional centers (funded in the next subsection) serve a much smaller population in comparison, mostly with higher needs.

Nonprofit Community Centered Boards (CCBs) designated by the executive director of the Department serve as the point of entry, determining eligibility for services and providing case management, and have responsibilities for service coordination in their region. There are 20 CCBs, each with a distinct geographic service area. CCBs are also frequently major service providers in their region, but not always. Some view the dual roles of some CCBs that both coordinate and provide services as presenting a conflict of interest, and this was the subject of a recent report by the State Auditor. Others argue that there would be the potential for favoritism even if the service coordination and provider functions were separated, that there is no evidence of abuse in the current system, and that there are efficiencies in sharing administrative and facility infrastructures between case managers and providers. The CCBs frequently play a leadership role in speaking for the providers, which sometimes leads to the misconception that CCBs are synonymous with providers, or the only providers.

Most services are provided with Medicaid funds transferred from the Department of Health Care Policy and Financing (HCPF). The General Assembly appropriates to HCPF General Fund to match federal funds for the Medicaid program, typically in a ratio of 50 percent General Fund and 50 percent federal funds, although special circumstances sometimes change the ratio. The long-term habilitation services needed by people with developmental disabilities are different enough from standard medical services funded through Medicaid that states negotiate with the federal government special waivers from the Medicaid program, so that selected services can be provided in greater quantities and for longer durations than would be possible through the standard Medicaid program. Significantly, the waivers also allow the state to limit the number of program participants. As a result, there are waiting lists for services.

Other major fund sources include General Fund, private insurance payments to the Early Intervention Services Trust Fund, and federal funds through Part C of the Individuals with Disabilities Education Act for early intervention services for very young people. The Department also receives General Fund for some services not covered by Medicaid, such as preventive dental hygiene, home modifications through family support services, and support services for a small number of people who don't meet Medicaid income qualifications.

This subsection does not include the funding for special education services through school districts (see the Department of Education). Special education is the primary source of public support for school-age people with developmental disabilities. Also, this subsection does not reflect federal Supplemental Security Income (SSI) and some smaller, similar federal financial assistance programs. Eligibility for SSI is based on household income, including parental income to age 18. The maximum monthly SSI benefit in 2011 is \$674 (\$8,088 annually). Of the adults with developmental disabilities served by the Division, roughly 95 percent receive SSI benefits each year. Only a small fraction of the children served by the Division receive SSI, due to the inclusion of parental income in the eligibility determination.

(1) Administration

Personal Services

Description: This line item supports the staff of the Division for Developmental Disabilities who oversee state programs for persons with developmental disabilities. Although the line item is located in the Community Services subsection, these staff also guide programs of the state-operated regional centers.

The proportion of funding from the General Fund versus Medicaid is based on the sources of funding for the major programs monitored by the Administration. The cash funds are for book keeping costs associated with the Early Intervention Services Trust Fund and the source is private insurance contributions to the Trust.

Request: The Department requested continuation funding according to OSPB's common policies, which include:

- Continuation and recalculation of the PERA reduction implemented last year; and,
- A 1.0 percent across the board reduction in personal services, in addition to the 1.0 percent reduction approved at supplemental time (a total 2.0 percent reduction).

Recommendation: **Staff recommends continuation funding according to the JBC's common policies.** Staff asked the Department to describe the consequences of a 3.0 FTE reduction, or about a 10 percent reduction, in General Fund and Medicaid FTE. The Department indicated that the staff are necessary to meet Medicaid waiver assurances regarding Quality Improvement Strategies, Program Certification and Monitoring surveys, retrospective reviews for fiscal integrity, as well as data collection and analysis for the waivers and the federal Part C grant for Early Intervention Services. The JBC expressed concerns during the briefing and supplemental about how quickly the

Department is identifying trends in utilization and effectively designing rates to keep expenditures within the appropriation and maximize services to individuals. Reducing administrative staff could inhibit the Department's ability to improve in these areas.

The components of the staff recommendations for the line item are summarized in the table below.

Personal Services						
	Total	GF	CF- private insurance	RF - Medicaid	Net GF	FTE
FY 2010-11 Long Bill	\$2,944,833	\$229,210	\$79,704	\$2,635,919	\$1,547,170	36.0
1% Personal Services reduction	(28,651)	(2,292)	0	(26,359)	(15,472)	0.0
FY 2010-11 Appropriation	2,916,182	226,918	79,704	2,609,560	1,531,698	36.0
Restore 1% Personal Services	28,651	2,292	0	26,359	15,472	0.0
Restore PERA contribution	60,232	5,913	1,826	52,493	32,160	0.0
1.5 % vacancy savings	(45,076)	(3,527)	(1,223)	(40,326)	(23,690)	0.0
FY 11-12 PERA contribution	(56,353)	(5,703)	0	(50,650)	(31,028)	0.0
Staff Rec. FY 2011-12	\$2,903,636	\$225,893	\$80,307	\$2,597,436	\$1,524,611	36.0

Options for Balancing:

- ***Reduce 1.0 FTE and \$41,181 Medicaid funds (\$20,590 net General Fund) --*** The Department currently has 2 vacant half-time positions, or 1.0 FTE, with \$41,181 associated Medicaid funds, intended for data management and administrative support functions. This does not appear to staff as an unusually high or problematic level of vacancies due to turnover. Removing funding for these positions would make it incrementally more difficult for the Department to manage when there is turnover in the future. However, the Department is currently managing without the positions filled and the JBC could consider removing the funding.
- ***Transfer administration of community-based programs for people with developmental disabilities to the Department of Health Care Policy and Financing, with no significant immediate savings but some potential long-term savings --*** During the supplemental presentation committee members requested discussing a transfer of the administration for programs for people with developmental disabilities to the Department of Health Care Policy and Financing (HCPF) "in much greater depth" for figure setting. Accordingly, staff set up a meeting with both departments to identify pros, cons, and issues to consider with such a move. However, at the meeting both departments indicated they would need much more time than was available before figure setting to study the issue, and suggested instead that the Committee send a request for information to be provided prior to next year's budget cycle.

Staff believes the proposed transfer is aimed at improving management. First, there is a perception that HCPF and Human Services are not sharing information about utilization and expenditure trends as well as they could, such that problems with rates or overexpenditures are not being identify as quickly as they should. Second, the Departments have potentially overlapping duties. The Department of Human Services develops plans for services and

rates, then submits them to HCPF for approval, and HCPF also submits the plans to federal administrators for approval, creating potential for duplication of effort, differing conclusions about what to do, potential wasted effort on policies that don't comply with Medicaid rules, and delays in implementing new strategies. Transferring administration to HCPF might streamline management and mitigate some of these issues. If there are additional reasons for proposing a transfer, the Committee should consider communicating these formally to the departments.

Staff does not foresee immediate savings from such a transfer, but some potential for long-term savings. The Department of Health Care Policy and Financing does not currently employ experts in serving people with developmental disabilities, and so most of the current administration, or at least funding, would need to transfer to HCPF with the program. Both Departments have centralized accounting, human resources, and similar support staff, and transferring the program would not appreciatively change the economies of scale achieved by either Department in providing these types of services. However, there is potential long-term savings if transferring the program results in management identifying trends and responding to issues more quickly. Of course, this might also be achieved without a physical transfer through better communication, coordination, and division of responsibilities between the departments.

The Department of Health Care Policy and Financing has applied for a federal "Money follows the person" grant through the Affordable Care Act, worth \$70-\$80 million, part of which could be used to study the issue of consolidating administration. The purpose of the grant is to help states balance long-term care programs, including those for people with developmental disabilities, and to help people in the Medicaid program transition from institutions to the community. The Department of Health Care Policy and Financing definitely wants to study consolidating Medicaid waivers, and indicated it could also use the money to look at consolidating program administration.

If the JBC wants to pursue this option, staff recommends sending the following request for information:

N Department of Health Care Policy and Financing, Department of Human Services -- The General Assembly requests that the departments submit a report to the Joint Budget Committee, the House Health and Environment Committee, and the Senate Health and Human Services Committee by November 1, 2011 with recommendations regarding whether the administration and funding for services for people with developmental disabilities should be transferred from the Department of Human Services to the Department of Health Care Policy and Financing. The report should discuss pros and cons associated with such a move and any potential savings. In preparing the recommendations the departments should solicit input from stakeholders.

Operating Expenses

Description: This line item pays for operating expenses associated with the staff in the Administration section.

Request: The Department requests continuation funding according to OSPB's common policies.

Recommendation: **Staff recommends continuation funding according to the JBC's common policies.** Staff is recommending a continuing level of FTE and most of the operating costs are associated with the level of FTE.

The components of the staff recommendation are summarized in the table below.

Operating Expenses				
	Total	CF- private insurance	RF - Medicaid	Net GF
FY 2010-11 Appropriation	143,019	7,128	135,891	75,074
Adjustments - none	0	0	0	0
Staff Rec. FY 2011-12	143,019	7,128	135,891	75,074

Community and Contract Management System

Description: This line item pays for the maintenance of an information technology system used to collect demographic, eligibility, and assessment information for compliance with Department regulations and policies. The system also stores wait list information.

Request: The Department requests continuation spending authority.

Recommendation: **Staff recommends continuation funding.** The Department is trying to improve the system interface, and the sharing of information between this database and databases operated by the Department of Health Care Policy and Financing, in order to reduce the need for case managers to enter duplicate information and to improve the quality of management information that can be queried from the system. Reducing funding would slow this process, and cause the Department to fall behind on routine database maintenance and equipment replacement.

Community and Contract Management System				
	Total	GF	RF - Medicaid	Net GF
FY 2010-11 Appropriation	137,480	41,244	96,236	89,362
Adjustments - none	0	0	0	0
Staff Rec. FY 2011-12	137,480	41,244	96,236	89,362

Options for Balancing:

- **Reduce funding by 10 percent (\$8,936 net General Fund)** -- Like any physical infrastructure or information technology maintenance appropriation, expenditures can vary from year to year and the Department has some flexibility to defer expenditures. However, continually deferred maintenance eventually accumulates to a critical mass resulting in

system failure. The JBC has not adopted a common policy to reduce information technology maintenance line items in FY 2011-12, but the Department could defer some maintenance expenditures, if the JBC implemented a reduction to this line item.

Medicaid Waiver Transition Costs Needs Assessments

Description: Initially, this line item was used for costs identified as one-time in nature that were associated with the transition from block grant funding to fee-for-service funding. However, it has transformed into paying for on-going costs associated with the administration of the Supports Intensity Scale that is used to determine the needs and authorized funding for people with developmental disabilities.

Request: The Department requests continuation funding.

Recommendation: **Staff recommends a reduction of \$9,663 and a change in the name of the line item to better describe the purpose.** In FY 2009-10 the Department used the funds primarily for training intended to correct inconsistencies in the administration of the SIS. It spent roughly \$75,000 on training with \$20,000 for new instructors, \$20,000 for existing interviewers, and \$35,000 for advanced training intended to help SIS trainers, remediations, and reassessments of difficult SISs. The Department reports that in FY 2010-11 the focus has shifted to data integration and performing audits to verify the validity of SIS assessments. In FY 2011-12 the Department plans to use the funds for ongoing training and audits. Staff expects training and audit costs to decline as the number of qualified SIS evaluators increases and these people become available to mentor new staff.

If the Department finds that it needs extraordinary training, for example due to a change in the SIS evaluation, it can use the Special Purpose line item in the Program Costs subsection for this purpose. Consistent application of the SIS is important to ensuring standard levels of service and reimbursements statewide for similar conditions. Also, the Department's fee structure and budgeting to stay within the appropriation rely on a stable and predictable distribution of SIS scores statewide, which is only achievable with consistent application of the SIS. However, if after two years of intensive training and auditing the Department is continuing to struggle with institutionalizing statewide standards for how to administer the SIS in FY 2011-12, then the Department may need to consider a different method for assessing needs in the future.

Needs Assessments		
	RF - Medicaid	Net GF
FY 2010-11 Appropriation	79,663	39,832
Reduction in SIS training and audits	(9,663)	(4,832)
Staff Rec. FY 2011-12	70,000	35,000

The existing line item name, "Medicaid Waiver Transition Costs," assumes some knowledge about the transition from block grant funding to fee-for-service funding for services for people with disabilities. Also, the farther from the data of the transition, the less meaningful the title becomes. Staff proposes changing the name to "Needs Assessments" to describe what the line item funds.

(2) Program Costs

The Program Costs subsection includes several line items, but these line items are for informational purposes only, since a footnote to the Long Bill indicates that the Department has authority to transfer funds between the line items. Expenditures are limited by the total for the subsection, rather than totals for individual line items within the subsection.

Services funded through the Program Costs subsection are delivered by private providers. Community Centered Boards (CCBs) provide case management and coordinate the delivery of services.

The Department provides four primary types of services for people with Developmental Disabilities:

- Early intervention services for children under the age of 3;
- Nonresidential support services for families of school-age children;
- Residential services for adults; and
- Nonresidential support services for adults so that they don't need residential services.

The Department also provides case management consultation for people receiving each of these types of services. School districts are responsible for services to school-age children during school hours.

Expenditures for the Medicaid waiver programs for people with developmental disabilities are not capped by the appropriation, and so mid-year adjustments to the appropriation are sometimes necessary. The state has the authority to limit the number of program participants and significant flexibility to customize the rate structure within federal guidelines. But, once program eligibility is determined, services are paid for based on assessed needs and the rate structure. If assessed needs are higher than expected, expenditures will be higher than expected, potentially resulting in an overexpenditure of the appropriation. The Department can change the rate structure to manage to the appropriation, but it takes time to get Medicaid program approval for rate changes. Also, Medicaid rules allow providers 120 days after service delivery to submit bills, and so there is a delay once rate changes are implemented before expenditures are impacted.

Request for FY 2010-11: At supplemental time the Department requested a net increase in funding for:

- 2 weeks worth of Medicaid payments delayed from FY 2009-10 to FY 2010-11
- Implementing a new 3-week Medicaid payment delay in FY 2010-11
- Changes to the Medicaid match rate
- Projected over/(under) expenditures
- Cost containment strategies

Request for FY 2011-12: For FY 2011-12 the Department is requesting a net increase for:

- Change to the Medicaid match rate
- Projected over/(under) expenditures
- Annualization of FY 2010-11 cost containment strategies
- New placements for emergencies and youth transitioning to adult programs
- New placements for increases in the eligible population for Early Intervention services
- Leap year adjustment

Staff Recommendation: The components of the staff recommendation are summarized in the table below, followed by a description of each item. The changes that impact FY 2010-11 have already been considered by the JBC and approved as "placeholders" and are summarized here as a refresher. There have been no changes to the staff recommendations for FY 2010-11. The recommendations for FY 2011-12 are all new. Appendix A at the back of this document shows the impact of each recommendation by line item.

Program Costs						
	Total	General Fund	CF - Client Cash	RF - Voc. Rehab.	RF - Medicaid	Net GF
FY 2010-11 Appropriation	370,166,395	32,892,281	30,798,715	481,488	305,993,911	150,373,462
2- week Medicaid payment delay	4,745,219	0	0	0	4,745,219	1,828,468
3-week Medicaid payment delay	<i>Pending</i>					
Change to Medicaid match rate	0	0	0	0	0	5,671,093
Projected over/(under) expenditures	35,024,709	0	0	0	35,024,709	14,090,680
Cost containment strategies FY 10-11	(4,262,978)	(4,708,322)	0	0	445,344	(4,515,965)
FY 2010-11 Adjusted Base	405,673,345	28,183,959	30,798,715	481,488	346,209,183	167,447,738
One-time, 2-week Medicaid payment delay	(4,745,219)	0	0	0	(4,745,219)	(1,828,470)
3-week Medicaid payment delay	<i>Pending</i>					
Change to Medicaid match rate	0	0	0	0	0	32,742,588
Health Care Expansion Fund	0	0	0	0	0	554,081
Annualize FY 10-11 cost containment strategies	388,265	(502,333)	0	0	890,598	(57,033)
One-time catch up payments	(3,500,000)	0	0	0	(3,500,000)	(1,750,000)
DRAFT 11-12 cost containment strategies	(12,716,195)	(3,070,208)	0	0	(9,645,987)	(7,893,203)
Reduce Family Support Services	(3,070,208)	(3,070,208)	0	0	0	(3,070,208)
Cap monthly units of Case Management	(2,928,398)	0	0	0	(2,928,398)	(1,464,199)
Cap day habilitation	(2,413,657)	0	0	0	(2,413,657)	(1,206,829)
Narrow definition of behavioral services	(1,875,517)	0	0	0	(1,875,517)	(937,759)
Limit annual dental services	0	0	0	0	0	0
Audit SIS reevaluations	(2,428,415)	0	0	0	(2,428,415)	(1,214,208)
Subtotal FY 2011-12 so far	385,100,196	24,611,418	30,798,715	481,488	329,208,575	189,215,701
Difference from original FY 2010-11 Approp (if Net GF is calculated at 50% match rate)	14,933,801	(8,280,863)	0	0	23,214,664	3,326,465
Percent difference	4.0%	-25.2%	0.0%	0.0%	7.6%	2.2%
Staff cost containment target	(8,708,394)	0	0	0	(8,708,394)	(4,354,197)
New placements for emergencies & transitions	0	0	0	0	0	0
Early Intervention services	3,270,663	3,094,635	0	0	176,028	3,182,649
Leap year	707,335	0	0	0	707,335	353,668
Staff rec. FY 2011-12	380,369,800	27,706,053	30,798,715	481,488	321,383,544	188,397,821

2-week Medicaid payment delay: By executive order Medicaid bills were not processed for 2 weeks at the end of FY 2009-10, delaying those payments until FY 2010-11. Service providers have up to 120 days after services are delivered to submit claims. In anticipation of the payment delay, many providers of services for people with developmental disabilities submitted claims more quickly than had been their practice in the past. Other providers waited to submit claims until after the delay. Impacts of the payment delay on provider behavior are difficult to estimate and quantify. The staff recommendation reflects data from the Department of Health Care Policy and Financing about claims that were submitted during the 2-week period and not paid until FY 2010-11, and it is consistent with the Department's calculations.

3-week Medicaid payment delay: The Department requested a continuation of the payment delay in FY 2010-11 and FY 2011-12, and an increase in the delay from 2 weeks to 3 weeks. This continuation and expansion of the payment delay will be discussed during figure setting for the Department of Health Care Policy and Financing.

Change to Medicaid match rate: The FY 2010-11 budget was built on the assumption that the federal government would extend for the entire fiscal year the enhanced match rate for qualifying Medicaid expenditures of 61.59 percent authorized in the American Recovery and Reinvestment Act (ARRA). After the state budget was passed Congress authorized a stair-step reduction in the federal match rate from 61.59 percent for the first two quarters of the fiscal year to 58.77 percent for the third quarter and 56.88 for the fourth quarter. The blended rate for the year is 59.71 percent. The lower federal match rate requires an increase in General Fund to maintain the same level of service.

Projected over/(under) expenditures: The Department projected significant overexpenditures of Adult Comprehensive Services and Case Management, and to a lesser extent Children's Extensive Support, and a significant underexpenditure of Supported Living Services. The projected overexpenditures are primarily attributable to reassessments of the needs of people receiving Adult Comprehensive Services, and to increases in Case Management for Early Intervention services. The projected underexpenditure is due to people using less services than they are authorized to access, with many possible explanations for why this is occurring.

For the supplemental recommendation staff used a similar method as the Department to project expenditures, but had more recent data, through December of 2010, which resulted in a higher projection of expenditures. There was a technical difference in how staff adjusted July expenditures to account for the Medicaid payment delay versus the Department that contributed a small amount to the difference between the staff recommendation and the Department request. Also, staff used the new Medicaid match rates to calculate the net General Fund impact.

Cost containment strategies FY 10-11: The Department proposed a number of strategies to mitigate the projected overexpenditures, including eliminating 66 Adult Comprehensive Services placements funded from General Fund effective October 2010, creating 16 Adult Comprehensive Services placements funded from Medicaid (to offset the reduction in General Fund placements) beginning March 2011, reducing provider rate reimbursements for Supported Living Services funded from General Fund by 4.5 percent effective October 2010, and reducing Family Support Services by \$3.1 million, or just slightly more than half. Staff recommended approval of all of these strategies.

One-time, 2-week Medicaid payment delay: The two-week Medicaid payment delay at the end of FY 2009-10 increased FY 2010-11 expenditures, but appropriations need to be adjusted for a return to normal expenditure patterns in FY 2011-12, unless a new payment delay is authorized.

3-week payment delay: The Department requested a continuation of the payment delay in FY 2010-11 and FY 2011-12, and an increase in the delay from 2 weeks to 3 weeks. This continuation and expansion of the payment delay will be discussed during figure setting for the Department of Health Care Policy and Financing.

Change to Medicaid match rate: In FY 2011-12 the enhanced federal match rate for Medicaid programs authorized by ARRA ends and the federal match rate will be 50 percent, necessitating an increase in General Fund to backfill the lost federal funds.

Health Care Expansion Fund: The JBC approved spending down the balance in the Health Care Expansion Fund (HCEF) in FY 2010-11 and leaving only \$1 for services for people with developmental disabilities in FY 2011-12 to satisfy statutory requirements about how the HCEF is distributed. The reduction in FY 2011-12 appropriations from the HCEF requires an equal increase in appropriations from the General Fund to maintain the same level of service.

Annualize FY 10-11 cost containment strategies: -- To contain costs in FY 2010-11 the Department eliminated 66 Adult Comprehensive Services placements funded with General Fund and reduced provider rates for Supported Living Services effective October 2010. In FY 2011-12 there will be an additional 3 months of savings associated with these strategies. The Department also increased Adult Comprehensive Services placements funded from Medicaid by 16 effective March 2011 and in FY 2011-12 there will be 9 months more of expenses associated with this strategy.

One-time catch up payments: Medicaid rules allow providers 120 days after service delivery to submit bills for reimbursements. Statewide providers of services for people with developmental disabilities submit bills an average of 90 days after service delivery, but one of the major providers, Developmental Pathways, had been submitting bills close to the 120 day limit. During FY 2010-11 Developmental Pathways changed billing procedures and caught up to the point that they now typically submit bills within 90 days of service, consistent with the statewide average. The one-time catch up increased FY 2010-11 expenditures, but FY 2011-12 expenditure patterns should normalize.

DRAFT 11-12 cost containment strategies: To assist in meeting the JBC's deadlines, OSPB graciously allowed the Division to share draft proposals that are under consideration for containing costs in FY 2011-12, but the Committee should understand that these ideas have not yet been analyzed or considered by OSPB and may not ultimately be endorsed by the administration. The exception to this rule is a reduction proposed for Family Support Services that was included as part of the Department's November request. Presumably any ideas that are eventually approved will be part of the Governor's February 15 budget submission. In addition to needing OSPB approval, some of the ideas under consideration by the Division require approval from federal Medicaid administrators before they can be implemented.

The specific draft proposals for containing costs in FY 2011-12 include:

- Reduce Family Support Services: The Department's November budget request proposed an additional \$901,129 General fund reduction for Family Support Services in FY 2011-12, on top of the reduction in FY 2010-11 that was requested by the Department and approved by the JBC. The Department indicates that it plans to reduce the value of grants per family, rather than reduce the number of families served. With the Department's request, the average grant per family will drop by \$883, leaving only \$474 per family in FY 2011-12.

Staff recommends eliminating funding in FY 2011-12. At a certain point the grants are not large enough to justify continuing to administer the program. Staff would be slightly more

inclined to support the request if the Department planned to reduce the families served, rather than reduce the grants per family.

Funds for Family Support Services are not directly preventing a more costly out-of-home placement. The grants primarily go to families of school-aged children. The state does not offer residential services for school-aged children with developmental disabilities, except in cases of abuse or neglect. Indirectly Family Support Services may reduce state expenditures by helping families cope with extraordinary costs associated with raising a child with developmental disabilities, and mitigating a stress factor that could lead to family dysfunction or job loss. However, in a tight budget environment staff ranks this program as a lower priority than some of the Division's other programs, since the children have caregivers at home and a degree of services through the schools.

	FY 2010-11 Original Approp.	FY 2010-11 Adjusted Approp.	FY 2011-12 Request	FY 2011-12 Staff Rec.
General Fund	\$6,219,699	\$3,070,208	\$2,169,079	\$0
3-year average served	4,583	4,583	4,583	0
Estimated average grant per family served	\$1,357	\$670	\$473	\$0

- Cap monthly units of Case Management: The Department estimated savings of \$2,928,398 Medicaid from capping case management units at 1 hour per month for people enrolled in Early Intervention services and 3 hours per month for all other programs. Capping case management units should have little impact on direct services. Case management is primarily a planning and monitoring service. Case managers and clients may need to adapt workflow to fit monthly caps. In some cases, monthly caps could delay decisions about changes in direct services, due to lack of consultation with a case manager, or delay recognition of a problem with a service. However, staff suspects that a cap on case management will primarily impact providers and service recipients will perceive very little difference. Staff recommends budgeting for the full savings estimated by the Department from this strategy.
- Cap day habilitation: The Department estimates a savings of \$2,4133,657 Medicaid funds with a cap of 24 hours per week for 50 weeks for people in Adult Comprehensive Services. People in Adult Comprehensive Services would still get care during the hours they could no longer access day habilitation, but the residential provider would be responsible for the care and associated cost. The social, recreational, and therapeutic environment for people impacted by the cap may be marginally less rich, but how much depends on what is available in the day habilitation environment versus the residential home, and on the capacity of the client to participate in the types of enrichment activities offered at the day habilitation center. This change is primarily a burden on providers who will get less respite from providing constant supervision. In some group homes staffing patterns may need to change, resulting in increased costs. The proposed cap would also reduce revenue for day habilitation providers, which may reduce the quantity and variety of day habilitation options

in the market. Staff recommends budgeting for the full savings estimated by the Department from this strategy.

- Narrow the definition of behavioral services: The Department estimated savings of \$1,875,517 Medicaid funds from narrowing the definition of behavioral services eligible for reimbursement. The Department describes this strategy as reducing duplication of services and explains that people will still get all necessary care, but providers will not be able to claim reimbursements for behavioral services in addition to the daily rates for residential services to the extent that they can now. Staff views the effect as similar to a provider rate decrease and recommends budgeting for the full estimated savings.
- Limit annual dental services: The Department estimated savings of \$472,414 Medicaid funds from implementing annual caps on dental benefits for people in Adult Comprehensive Services and Supported Living Services. However, staff would argue that it is more of a payment delay than a savings. People will still get the dental care that they need, but some portion of expenditures will be deferred to the next fiscal year to comply with the annual limits. There will be savings in the first year it is implemented, but in subsequent years annual expenditures will return to the norm. Staff could be wrong about this assessment if providers or family members pick up the difference between charges and the annual limits, or if dentists accept smaller payments because of the annual limits. However, phased payment plans are common practice for major dental procedures and staff believes deferring payments will be the standard procedure of dentists and patients for dealing with annual limits on dental benefits. Staff is not recommending limiting annual dental services, because staff does not believe it achieves on-going savings.
- Audit SIS reevaluations: The Department projects audits of needs assessments performed using the Supports Intensity Scale (SIS) will result in reductions in assessed needs for 15 percent of cases audited, and resulting reductions in Adult Comprehensive Services expenditures of \$2,428,415 Medicaid funds. If audits of the SIS evaluations find errors the SIS scores and expenditures should be reduced. The Department indicates that evidence from the first completed audits suggest 15 percent are being adjusted down. Staff does not know if this trend will continue. Also, staff is concerned about budgeting a quota savings for the audits to achieve. With the caveat that this may need to be revisited, staff recommends using the Department's estimated savings, for now.

Staff cost containment target: In addition to budgeting assuming all of the draft cost containment strategies developed by the Department are implemented, staff recommends setting a target for the Department to achieve an additional \$8.7 million savings through cost containment strategies. Even with all the draft measures developed by the Department, and the elimination of Family Support Services recommended by staff, expenditures for the Program Costs section would grow \$17.1 million, or 4.6 percent, from the original FY 2010-11 Appropriation, before considering any funding for new placements. The Department estimates \$8,394,646 of that growth is attributable to filling

vacancies faster than in prior years, but that leaves \$8,708,394 worth of growth in expenditures for a population whose needs don't typically change much from one year to the next.

Filling vacancies faster arguably became necessary when the General Assembly didn't provide funding in FY 2010-11 for new placements in Adult Comprehensive Services and Supported Living Services for emergencies or for youth transitioning to adult programs. The Division took over responsibility for filling vacancies from the Community Centered Boards in order to ensure there would be enough placements available through turnover for these high priority cases. With turnover running just barely ahead of emergencies and transitions the Department is filling vacancies as quickly as they become available. This is in contrast to prior years when a significant portion of vacancies were filled through the wait list, typically after lengthy planning with the family, assessments, and decision-making meetings about services.

The growth in expenditures is particularly dramatic considering that providers will serve 50 fewer people in Adult Comprehensive Services, provide less benefits to people in Supported Living Services, and, if the staff recommendation is adopted, eliminate Family Support Services. At a minimum, staff would like to see the Department implement another \$8.7 million in cost containment strategies so that it can be said that the state is serving fewer people with the same money, rather than fewer people with more money.

The staff recommendation assumes that the additional cost containment measures will be targeted at Adult Comprehensive Services. In an ideal world staff would like to see the Department implement even more severe cost containment for Adult Comprehensive Services and shift some of the funding back to Supported Living Services. Increases in funding for Adult Comprehensive Services don't directly impact people receiving the services. The care provided is comprehensive regardless of what the provider gets paid. The people receiving services are only impacted indirectly if the provider can't make ends meet and consequently compromises quality of care or goes out business. With Supported Living Services, however, an increase or decrease in funding can change hours of respite care, or homemaker services, or hygiene assistance, or types of adaptive technology provided, in ways that impact the quantity and quality of service. With whole-sale changes in rates for Supported Living Services implemented in FY 2010-11, it is difficult to say how much of the reduction in funding has been absorbed by providers versus program participants, but at least some of the reduction is due to people getting fewer services. While staff would like to see this shift from Adult Comprehensive Services to Supported Living Services, the General Assembly has delegated authority to the Department to make decisions about allocations between line items in the Program Costs section of the budget, and so staff is not attempting to prescribe specific allocations if the Department meets the targeted total reduction in funding.

New placements for emergencies and transitions: The Department requested \$4,784,874 in decision item #4, including \$2,392,437 net General Fund, for emergencies and transitions. This includes 96 new resources for Adult Comprehensive Services, 65 new resources for Supported Living Services, and associated case management. The Department's request assumes the resources would be filled on average for half of FY 2011-12, and so in FY 2012-13 funding would double to

account for the other half of a year. An emergency occurs when a care-giver becomes sick, deceased, unemployed, or otherwise incapable of continuing to provide for a person with developmental disabilities, and that person needs immediate residential services from the state. Abuse by a care provider or maladaptive behavior by a care recipient or a change in medical status can also cause an emergency situation. Transitions refer to people who are currently in the Child Welfare System, or whose disabilities are so severe that they are in the Children's Extensive Support Program, and are growing out of these services and in need of adult services because of age.

Staff is not recommending an increase in funding for emergencies and transitions. In the current fiscal year the Department is managing emergencies and transitions through turnover. Historic turnover rates suggest that statewide there should be sufficient resources for the Department to ensure continued services for transitions and emergencies.

Average 4-year Turnover					
	FY 06-07	FY 07-08	FY 08-09	FY 09-10	4-year Average
Adult Comprehensive Services	134	146	160	108	137
Supported Living Services	203	209	302	303	254

However, it should be noted that turnover in the Adult Comprehensive Services program declined sharply in FY 2009-10 and through six months of FY 2010-11 only 47 placements have turned over. The Department does not know why the turnover rate is down. The Department is investigating whether some of the historical data has errors, such as counting people who leave a placement temporarily for a hospital stay as turnover. The Department speculates that the decline in turnover may be attributable to the economy.

Last year staff raised a concern that relying on turnover to address emergencies and transitions could be problematic, because turnover will not always occur when and where it is needed. Small variations in the allocation of resources can have significant impacts on providers and potentially impact current service recipients. For example, a provider with a six-bed facility matches expenditures for salaries, rent, utilities, etc. to the expected revenue from having those beds occupied for most of the year. If a vacancy occurs and the provider is not permitted to fill the vacancy, because the resources are reallocated elsewhere, then the budget for the facility is thrown out of balance. In some cases providers may be able to reduce expenses to match the reduction in revenues, but in other cases they may have to relocate facilities to less expensive property, or close facilities and consolidate service locations. Current service recipients could be forced to find a new provider, or move facilities within a provider's network. Overall the diversity and geographic availability of providers could be impacted.

With more information, staff is less concerned this year about relying on turnover to address emergencies and transition. For one thing, providers have never been guaranteed a specific number of people to be served, even in the block grant funding model that was in place prior to the current fee-for-service model. Individuals have a choice in providers and new program participants filling vacancies may choose different providers. Second, staff did not realize last year how much the

delivery system is dominated by host homes. On October 31, 2010 there were 2,342 people living in host homes, 856 living in a house or an apartment with a Personal Care Attendant (PCA), and 1,087 living in group homes. In other words, almost 75 percent were living in an individual care setting. Turnover in an individual setting doesn't put a group home out of business, but rather one person, or one family, that may or may not want to invite a new person into their home.

In addition to increasing confidence that the system can manage emergencies and transitions through turnover, staff has concerns about putting new money into the system when the Department has not yet determined how to contain costs to avoid an overexpenditure in FY 2011-12 similar to the one in FY 2010-11.

If the JBC doesn't agree with the staff recommendation and wants to fund new placements for emergencies and transitions, staff would recommend a number of modifications to the Department's request. First, the Department used higher rates for Adult Comprehensive Services and supported living services than the current average per recipient to calculate the cost of emergency and transition placements, but evidence provided by the Department for the supplemental indicated that people who enter the program because of an emergency do not generally have higher needs than the overall population. Emergencies have as much or more to do with the status of the caregiver than with the level of need of the person requiring services, and staff suspects this is also true with transitions. Second, the Department requested funding for 30 emergency placements in Supported Living Services, but staff thinks of emergencies as situations that require residential care, rather than support services for people who already have a place to live. Finally, staff recommends calculating the cost of case management using the capped rates discussed in the draft 11-12 cost containment strategies.

The table below summarizes how staff would fund emergencies and transitions, versus the Department's request, keeping in mind that the staff recommendation is not to provide new funding for emergencies and transitions.

	Department	Staff	Staff higher/ (lower)
66 Foster Care to Adult Comprehensive Services	2,870,472	2,016,330	(854,142)
30 Emergency Adult Comprehensive Services	1,170,570	916,515	(254,055)
35 Children's Extensive Support to Supported Living Services	306,495	180,944	(125,551)
30 Emergency Supported Living Services	262,710	0	(262,710)
Case Management	174,927	134,217	(40,710)
TOTAL Emergencies & Transitions	4,785,174	3,248,006	(1,537,168)

Early Intervention services: The Department requested a total of \$3,893,917, including \$3,771,112 net General Fund, for Program Costs for a projected increase in the eligible population. Staff recommends an increase of \$3,270,663 and \$3,182,649 net General Fund for Program Costs.

Calculating the amount needed for early intervention services is complicated by a coordinated system of payment that creates a hierarchy for which funds pay for services first, and only partial knowledge about the total number of people served. In the coordinated system of payment private pay, health

insurance, and Medicaid come before the state General Fund. Services for the same person can be paid from many different fund sources and the Department may know about only some payments. If a person receives services covered by private pay or insurance, the Department may or may not know about that person based on whether they received services paid from other sources, too, or whether they chose a provider who works with the Division.

To account for the availability of other fund sources, staff decided to use average known expenditures per average known monthly population to project expenditures, rather than the Department's methodology which was based on historic standard rates for different services.

The table below provides a functional breakdown of estimated FY 2010-11 and projected FY 2011-12 Early Intervention expenditures. The Federal Funds and Private Insurance - Trust Fund moneys are appropriated in the Other Program Costs subsection of the Long Bill, rather than the Program Costs subsection. For the average monthly population in the projection staff used the Department's November 1 annual report on Early Intervention Services that showed a 6.5 percent increase in the eligible population and projected this forward. The Department's request was based on a 5.4 percent increase in the eligible population. To project total direct services and case management expenditures, staff used the estimated expenditures per average monthly population in FY 2010-11. Staff then backed into the projected General Fund based on the Department's estimates of funds available from the private insurance, Medicaid, and federal funds.

Functional Breakdown	FY 2010-11	FY 2011-12	Difference
Outreach and Coordination - FF	1,068,169	1,068,169	0
FTE	6.5	6.5	0.0
Direct Services	22,442,466	23,900,204	1,457,738
General Fund	12,169,275	14,960,930	2,791,655
Private Insurance - Trust Fund	2,928,194	2,957,477	29,282
Federal Funds (Part C & ARRA)	7,344,997	5,981,797	(1,363,200)
Case Management	<u>5,846,945</u>	<u>6,226,730</u>	<u>379,785</u>
General Fund	1,773,512	2,076,492	302,980
Private Insurance - Trust Fund	459,372	463,966	4,594
Medicaid	2,710,019	2,886,047	176,028
Federal Funds (Part C & ARRA)	904,042	800,226	(103,816)
TOTAL	29,357,581	31,195,103	1,837,523
General Fund	13,942,787	17,037,422	3,094,635
Private Insurance - Trust Fund	3,387,566	3,421,443	33,876
Medicaid	2,710,019	2,886,047	176,028
Federal Funds (Part C & ARRA)	9,317,208	7,850,192	(1,467,016)

Leap year: The Department requested leap year adjustments for Adult Comprehensive Services and Supported Living Services. Staff recommends a leap year adjustment just for the residential Adult Comprehensive Services, and only for the Medicaid-funded portion of the program where the Department doesn't have flexibility to adjust rates just for the leap year.

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### **(3) Other Community Programs**

#### **Federal Special Education Grant for Infants, Toddlers, and Their Families (Part C).**

*Description:* In addition to the federal grants available under Part B of the federal *Individuals with Disabilities Education Act (IDEA)*, grants are available under Part C of *IDEA* to assist states in providing special education and related services to children with disabilities ages zero to three, and their families. Part C funds may be used to implement, maintain, and strengthen the statewide system of early intervention services for infants and toddlers with disabilities and their families. In addition, such funds may be used for direct early intervention services for infants and toddlers with disabilities and their families that are not otherwise funded through other public and private sources. Thus, Part C is the payer of last resort, and all other funding options must be explored before accessing available Part C funds for the provision of direct services. Federal Part C funds may not be commingled with state funds, and may not be used to supplant state and local funds expended for infants and toddlers with disabilities and their families. As school districts are not required to provide educational services to children under age three, Part C funds are not directly allocated to school districts. As a condition for receipt of the federal Part C grant, states must agree to a variety of federal requirements to provide a statewide, coordinated, interagency system to provide early intervention services for infants, toddlers, and their families. This includes requirements to maintain state and local funding levels.

*Request:* The Department requests a reduction associated with the expiration of one-time money through the American Recovery and Reinvestment Act (ARRA) and an adjustment for the PERA rate.

*Recommendation:* **The staff projection of federal funds is different than the Department's due to information provided by the Department about the actual FY 2010-11 Part C grant.**

#### **Custodial Funds for Early Intervention Services**

*Description:* Pursuant to S.B. 07-004 (Shaffer/Todd) and H.B. 09-1237 (Primavera/Shaffer), private insurance policies offered in the state that include coverage for dependents must pay for early intervention services for children under three who have significant delays in development or a diagnosed physical or mental condition with a high probability of resulting in significant delays in development. Policies may not set maximum annual liability limits below a threshold annually set by the Division based on statutory indexes, nor may they require a copayment or deductible for this benefit. The annual liability limits are adjusted every year based on the Denver/Boulder/Greely consumer price index, plus an additional amount if the General Assembly increases appropriations per child for state-funded early intervention services in excess of inflation. Insurance payments must

be made to the Early Intervention Services Trust Fund managed by the Department. These payments may only be used to benefit the covered child and are treated as custodial funds that are not subject to annual appropriation. The amount that appears in the Long Bill is an estimate of insurance payments and is included for informational purposes only.

*Request:* The Department requested continuation funding.

*Recommendation:* The staff recommendation is based on projected expenditures from the fund. The previous appropriations were based on projected revenues when the bills authorizing the program were passed with annual common policy adjustments. Revenues to the fund are different from expenditures from the fund, because insurance providers pay lump sums into the fund that will be accessed for services over the course of up to three years, at the end of which any remainder is refunded to insurers.

### **Preventive Dental Hygiene**

*Description:* Provides dental evaluation and intervention services for approximately 1,200 persons with developmental disabilities. Colorado has opted not to provide dental care for adults through the Medicaid program. Medicaid eligible children may receive dental screening through the federal Early and Periodic, Screening, Diagnosis and Treatment (EPSDT) program.

*Request:* The Department requests continuation funding.

*Recommendation:* **Staff recommends continuation funding.**

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## **(B) Regional Centers for People with Developmental Disabilities**

The State operates three facilities for individuals with developmental disabilities, known as Regional Centers, in Grand Junction, Wheat Ridge, and Pueblo. The Regional Centers have two methods of providing services: 1) Regional Centers operate residential and support services in large congregate settings on campus at the Grand Junction and Wheat Ridge centers (70 beds); and 2) Regional Centers operate group homes that provide services to 4-6 people per home in a community setting (230 beds, or three fourths of the total for FY 2010-11). The first type of placements are licensed as Intermediate Care Facilities for the Mentally Retarded (ICF/MR). Medicaid pays a daily rate for ICF/MR placements based on actual costs. The second type of placements are operated under a Home and Community Based Service (HCBS) waiver like most of the private provider placements funded in the Adult Comprehensive Services line item. Medicaid pays a daily rate for these placements based on the Supports Intensity Scale (SIS) assessment of the person served.

Many persons served by Regional Centers have multiple handicapping conditions, such as maladaptive behaviors or severe, chronic medical conditions that require specialized and intensive levels of services. The Regional Centers work closely with the Community Centered Board (CCB) system, which provides community-operated services for persons with developmental disabilities.

Traditionally, the Regional Centers have served persons with developmental disabilities where appropriate community programs are not available. They provide residential services, medical care, and active treatment programs based on individual assessments and habilitation plans.

Since April 2003, the regional centers have used the following admission criteria: (1) individuals who have extremely high needs requiring very specialized professional medical support services; (2) individuals who have extremely high needs due to challenging behaviors; and (3) individuals who pose significant community safety risks to others and require a secure setting. Due to concerns related to the adequacy of staffing and quality of care, the Department began to restrict new admissions to the regional centers in late FY 2007-08. The table below shows the current allocation of regional center beds by primary clinical need.

| Current Regional Center Breakdown of Census by Primary Clinical Need |                |             |        |                      |
|----------------------------------------------------------------------|----------------|-------------|--------|----------------------|
|                                                                      | Grand Junction | Wheat Ridge | Pueblo | All Regional Centers |
| Sex Offender                                                         | 8              | 30          | 0      | 38                   |
| Behavioral/Psychiatric                                               | 50             | 40          | 20     | 110                  |
| High Medical Needs                                                   | 25             | 44          | 14     | 83                   |
| Long Term 1-to-1                                                     | 11             | 9           | 7      | 27                   |
| Other                                                                | 8              | 1           | 33     | 42                   |
| Total Census                                                         | 102            | 124         | 74     | 300                  |
| % age of Individuals who are Hardest to Serve                        | 92.2%          | 99.2%       | 55.4%  | 86.0%                |

Only a portion of costs associated with the Regional Center are appropriated in the line items below. Costs associated with Regional Center physical plant maintenance and housekeeping, among other components, are centrally appropriated in the office of Operations, and other indirect amounts are charged to the Executive Director's Office and the Office of Information Technology Services.

**Personal Services**

*Description:* The personal services line item funds FTE and associated contract services necessary to operate the state's three Regional Centers.

*Request:* The Department requests continuation funding according to OSPB's common policies, which include:

- Adjustments in FY 2010-11 and FY 2011-12 for changes in the Medicaid match rate
- An adjustment to FY 2010-11 for the 2-week delay in Medicaid payments that occurred at the end of FY 2009-10
- An adjustment to FY 2010-11 and FY 2011-12 for a proposed new 3-week delay in Medicaid payments
- Continuation and recalculation of the PERA reduction implemented last year; and,
- A 1.0 percent across the board reduction in personal services, in addition to the 1.0 percent reduction approved at supplemental time (a total 2.0 percent reduction)

The Department included all of the adjustments for changes in the Medicaid match rate and the 2-week payment delay for the division in the Personal Services line item.

**Recommendation: Staff recommends continuation funding according to the JBC's common policies.** The components of the staff recommendation are summarized in the table below. The recommendation on the 2-week Medicaid payment delay is pending some additional clarification on how this was handled in FY 2009-10, including which line items were impacted, and the interaction between the payment delay and the pay date shift.

| Personal Services                       |                     |                    |                     |                     |              |
|-----------------------------------------|---------------------|--------------------|---------------------|---------------------|--------------|
|                                         | Total               | CF-<br>Client Cash | RF -<br>Medicaid    | Net GF              | FTE          |
| FY 2010-11 Long Bill                    | \$44,388,779        | \$2,060,389        | \$42,328,390        | \$16,258,335        | 927.1        |
| 1% Personal Services reduction          | (84,657)            | 0                  | (84,657)            | (34,109)            | 0.0          |
| Change in Medicaid match rate           | 0                   | 0                  | 0                   | 795,774             | 0.0          |
| 2-week payment delay                    | <i>Pending</i>      |                    |                     |                     |              |
| FY 2010-11 Adjusted                     | 44,304,122          | 2,060,389          | 42,243,733          | 17,020,000          | 927.1        |
| One-time, 2-week Medicaid payment delay | <i>Pending</i>      |                    |                     |                     |              |
| Change in Medicaid match rate           | 0                   | 0                  | 0                   | 4,101,867           | 0.0          |
| Restore 1% Personal Services            | 84,657              | 0                  | 84,657              | 42,329              | 0.0          |
| Restore PERA contribution               | 960,576             | 0                  | 960,576             | 480,288             | 0.0          |
| 1.5 % vacancy savings                   | (173,156)           | 0                  | (173,156)           | (86,578)            | 0.0          |
| FY 11-12 PERA contribution              | (846,245)           | 0                  | (846,245)           | (423,123)           | 0.0          |
| <b>Staff Rec. FY 2011-12</b>            | <b>\$44,329,954</b> | <b>\$2,060,389</b> | <b>\$42,269,565</b> | <b>\$21,134,783</b> | <b>927.1</b> |

### **Operating Expenses**

**Description:** Provides for operating costs associated with the staff and client services of the regional centers.

**Request:** The Department requests continuation funding according to OSPB's common policies, which include:

- Adjustments in FY 2010-11 and FY 2011-12 for changes in the Medicaid match rate
- An adjustment to FY 2010-11 for the 2-week delay in Medicaid payments that occurred at the end of FY 2009-10
- An adjustment to FY 2010-11 and FY 2011-12 for a proposed new 3-week delay in Medicaid payments

The Department included all of the adjustments for changes in the Medicaid match rate and the 2-week payment delay for the division in the Personal Services line item.

**Recommendation: Staff recommends continuation funding according to the JBC's common policies.** The components of the staff recommendation are summarized in the table below. The recommendation on the 2-week Medicaid payment delay is pending some additional clarification on how this was handled in FY 2009-10, including which line items were impacted, and the interaction between the payment delay and the pay date shift.

| Operating Expenses                      |                  |                  |
|-----------------------------------------|------------------|------------------|
|                                         | RF -<br>Medicaid | Net GF           |
| FY 2010-11 Long Bill                    | 2,439,458        | 936,996          |
| Change in Medicaid match rate           | 0                | 45,862           |
| 2-week payment delay                    | <i>Pending</i>   |                  |
| FY 2010-11 Adjusted                     | 2,439,458        | 982,858          |
| One-time, 2-week Medicaid payment delay | <i>Pending</i>   |                  |
| Change in Medicaid match rate           | 0                | 236,871          |
| <b>Staff Rec. FY 2011-12</b>            | <b>2,439,458</b> | <b>1,219,729</b> |

### **Capital Outlay - Patient Needs**

*Description:* This line item provides funding for the purchase of capital equipment that is used by or on behalf of the residents of the Regional Centers. Such equipment includes therapeutic, medical, and adaptive equipment; program equipment and technical aids; health and safety repairs and equipment; and furnishings and environmental improvements.

*Request:* The Department requests continuation funding according to OSPB's common policies, which include:

- Adjustments in FY 2010-11 and FY 2011-12 for changes in the Medicaid match rate
- An adjustment to FY 2010-11 for the 2-week delay in Medicaid payments that occurred at the end of FY 2009-10
- An adjustment to FY 2010-11 and FY 2011-12 for a proposed new 3-week delay in Medicaid payments

The Department included all of the adjustments for changes in the Medicaid match rate and the 2-week payment delay for the division in the Personal Services line item.

*Recommendation:* **Staff recommends continuation funding according to the JBC's common policies.** The components of the staff recommendation are summarized in the table below. The recommendation on the 2-week Medicaid payment delay is pending some additional clarification on how this was handled in FY 2009-10, including which line items were impacted, and the interaction between the payment delay and the pay date shift.

| Capital Outlay - Patient Needs          |                  |               |
|-----------------------------------------|------------------|---------------|
|                                         | RF -<br>Medicaid | Net GF        |
| FY 2010-11 Long Bill                    | 72,126           | 27,704        |
| Change in Medicaid match rate           | 0                | 1,356         |
| 2-week payment delay                    | <i>Pending</i>   |               |
| FY 2010-11 Adjusted                     | 72,126           | 29,060        |
| One-time, 2-week Medicaid payment delay | <i>Pending</i>   |               |
| Change in Medicaid match rate           | 0                | 7,003         |
| <b>Staff Rec. FY 2011-12</b>            | <b>72,126</b>    | <b>36,063</b> |

### **Leased Space**

*Description:* Leased space funds are generally requested for group homes operated by the Regional Centers. At the Pueblo Regional Center, the Department also leases space for regional center administration, maintenance shop, and program at Pueblo West. The appropriation includes \$30,000 for a group home operated by the Wheat Ridge Regional Center and \$42,820 for space at Pueblo West leased by the Pueblo regional center for administration, maintenance, and programs.

*Request:* The Department requests continuation funding according to OSPB's common policies, which include:

- Adjustments in FY 2010-11 and FY 2011-12 for changes in the Medicaid match rate
- An adjustment to FY 2010-11 for the 2-week delay in Medicaid payments that occurred at the end of FY 2009-10
- An adjustment to FY 2010-11 and FY 2011-12 for a proposed new 3-week delay in Medicaid payments

The Department included all of the adjustments for changes in the Medicaid match rate and the 2-week payment delay for the division in the Personal Services line item.

*Recommendation:* **Staff recommends continuation funding according to the JBC's common policies.** The components of the staff recommendation are summarized in the table below. The recommendation on the 2-week Medicaid payment delay is pending some additional clarification on how this was handled in FY 2009-10, including which line items were impacted, and the interaction between the payment delay and the pay date shift.

| Leased Space                            |                  |               |
|-----------------------------------------|------------------|---------------|
|                                         | RF -<br>Medicaid | Net GF        |
| FY 2010-11 Long Bill                    | 42,820           | 16,448        |
| Change in Medicaid match rate           | 0                | 805           |
| 2-week payment delay                    | <i>Pending</i>   |               |
| FY 2010-11 Adjusted                     | 42,820           | 17,253        |
| One-time, 2-week Medicaid payment delay | <i>Pending</i>   |               |
| Change in Medicaid match rate           | 0                | 4,157         |
| <b>Staff Rec. FY 2011-12</b>            | <b>42,820</b>    | <b>21,410</b> |

**Resident Incentive Allowance**

*Description:* This line item provides funding for payments to persons residing at the Regional Centers for services provided to the institution. Those services include such activities as washing vehicles, food preparation, and janitorial services.

*Request:* The Department requests continuation funding according to OSPB's common policies, which include:

- Adjustments in FY 2010-11 and FY 2011-12 for changes in the Medicaid match rate
- An adjustment to FY 2010-11 for the 2-week delay in Medicaid payments that occurred at the end of FY 2009-10

- An adjustment to FY 2010-11 and FY 2011-12 for a proposed new 3-week delay in Medicaid payments

The Department included all of the adjustments for changes in the Medicaid match rate and the 2-week payment delay for the division in the Personal Services line item.

**Recommendation:** Staff recommends continuation funding according to the JBC's common policies. The components of the staff recommendation are summarized in the table below. The recommendation on the 2-week Medicaid payment delay is pending some additional clarification on how this was handled in FY 2009-10, including which line items were impacted, and the interaction between the payment delay and the pay date shift.

| Resident Incentive Allowance            |                  |               |
|-----------------------------------------|------------------|---------------|
|                                         | RF -<br>Medicaid | Net GF        |
| FY 2010-11 Long Bill                    | 138,176          | 53,074        |
| Change in Medicaid match rate           | 0                | 2,598         |
| 2-week payment delay                    | Pending          |               |
| FY 2010-11 Adjusted                     | 138,176          | 55,672        |
| One-time, 2-week Medicaid payment delay | Pending          |               |
| Change in Medicaid match rate           | 0                | 13,416        |
| <b>Staff Rec. FY 2011-12</b>            | <b>138,176</b>   | <b>69,088</b> |

**Purchase of Services**

*Description:* This line item provided funding for the purchase of contractual services such as security and laundry, as well as various maintenance agreements at the three regional centers. It was consolidated into the Operating Expenses line item in FY 2010-11.

*Request:* The Department requested funding for this purpose in the Operating Expenses line item.

**Recommendation:** Staff recommended funding for this purpose in the Operating Expenses line item.

**Provider Fee**

*Description:* Pursuant to H.B. 03-1292, the Department charges ICF/MR facilities, both state-operated and private, a fee for "maintaining the quality and continuity of services." The fee may be up to five percent of the cost of operating the ICF/MR. The revenues from the fee are deposited in a cash fund. The money in the cash fund is then appropriated to offset the need for General Fund to match federal Medicaid dollars in the Department of Health Care Policy and Financing. The sole purpose of the fee is to reduce General Fund expenditures. The Department of Human Services needs spending authority to pay the fee into the cash fund, but the Department is not able to increase salaries or operating expenses with the fee.

The fee is effective at reducing the need for General Fund because the federal government allows ICF/MR facilities to include the cost of the fee in their calculation of Medicaid-reimbursable expenditures. The table below summarizes how the fee works for ICF/MR costs of \$100,000.

|                                          | Medicaid | General Fund | Cash Funds | Federal Funds |
|------------------------------------------|----------|--------------|------------|---------------|
| Cost of operating ICF/MR                 | 100,000  | 50,000       | 0          | 50,000        |
| 5% Provider fee (deposited in cash fund) | 5,000    | 2,500        | 0          | 2,500         |
| Use fee to offset need for General Fund  | 0        | (5,000)      | 5,000      | 0             |
| Total spending authority for ICF/MR      | 105,000  | 47,500       | 5,000      | 52,500        |
| Match rate                               | 100.0%   | 45.2%        | 4.8%       | 50.0%         |

In practice, calculating the fee impact on funding for the Regional Centers is much trickier than this simple table, because appropriations for the Regional Centers include both funding for ICF/MR and waiver placements. Also, some of the costs of operating the Regional Center ICF/MR facilities are funded in line items in the Executive Director's Office, such as Health, Life, and Dental. Finally, not all of the Provider Fee revenue is from the Regional Centers. Some of it comes from private providers. So, the impact of the Provider Fee on the General Fund match required for the Regional Centers is not a straight reduction from 50.0 percent to 45.2 percent. But, if the ICF/MR expenses were isolated, the impact would be 45.2 percent.

*Request:* The Department requests continuation funding according to OSPB's common policies, which include:

- Adjustments in FY 2010-11 and FY 2011-12 for changes in the Medicaid match rate
- An adjustment to FY 2010-11 for the 2-week delay in Medicaid payments that occurred at the end of FY 2009-10
- An adjustment to FY 2010-11 and FY 2011-12 for a proposed new 3-week delay in Medicaid payments

The Department included all of the adjustments for changes in the Medicaid match rate and the 2-week payment delay for the division in the Personal Services line item.

*Recommendation:* **Staff recommends continuation funding with an adjustment for the change in the Medicaid match rate.** However, staff is working with the Department to develop a methodology for annually adjusting this line, either based on actual expenditures in a prior year, or a comprehensive estimate of all the ICF/MR payments, including centrally appropriated funds for the regional centers and funds for private ICF/MR providers. If this leads to a different estimate for FY 2011-12, staff will submit a comeback.

The components of the staff recommendation are summarized in the table below. The recommendation on the 2-week Medicaid payment delay is pending some additional clarification on how this was handled in FY 2009-10, including which line items were impacted, and the interaction between the payment delay and the pay date shift.

| Resident Incentive Allowance            |                  |                |
|-----------------------------------------|------------------|----------------|
|                                         | RF -             |                |
|                                         | Medicaid         | Net GF         |
| FY 2010-11 Long Bill                    | 1,867,655        | 717,367        |
| Change in Medicaid match rate           | 0                | 35,112         |
| 2-week payment delay                    | Pending          |                |
| FY 2010-11 Adjusted                     | 1,867,655        | 752,479        |
| One-time, 2-week Medicaid payment delay | Pending          |                |
| Change in Medicaid match rate           | 0                | 118,349        |
| <b>Staff Rec. FY 2011-12</b>            | <b>1,867,655</b> | <b>933,828</b> |

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(2) Other Program Costs

General Fund Physician Services

Description: For some of the regional center clients, the Department has historically been unable to find physicians with the necessary expertise who are also willing to provide services for the Medicaid reimbursement rates. The complicated medical needs and extremely rare diagnoses of the regional center clients include Tuberos Sclerosis, PKU, Moebius Syndrome, Progressive Leukodystrophy, Trisomy 9, extremely complicated seizure disorders, orthopedic problems, chronic pain, and diverse psychological issues. As a result, in FY 2006-07 the General Assembly began providing General Fund and state FTE for the Department to hire physicians.

Request: The Department requested continuation funding according to OSPB's common policies, which include:

- Continuation and recalculation of the PERA reduction implemented last year; and,
- A 1.0 percent across the board reduction in personal services, in addition to the 1.0 percent reduction approved at supplemental time (a total 2.0 percent reduction).

Recommendation: **Staff recommends continuation funding according to the JBC's common policies.** The components of the staff recommendation are summarized in the table below.

General Fund Physician Services		
	GF	FTE
FY 2010-11 Long Bill	\$86,089	0.5
1% Personal Services reduction	(861)	0.0
FY 2010-11 Appropriation	85,228	0.5
Restore 1% Personal Services	861	0.0
Restore PERA contribution	1,920	0.0
1.5 % vacancy savings	(1,320)	0.0
FY 11-12 PERA contribution	(1,920)	0.0
Staff Rec. FY 2011-12	\$84,769	0.5

ICF/MR Adaptations

Description: This line item was requested for FY 2008-09 only pursuant to Decision Item #6. **No appropriation is requested or recommended for FY 2011-12.**

DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

(6) DEPARTMENT OF HUMAN SERVICES MEDICAID-FUNDED PROGRAMS

(F) Services for People with Disabilities - Medicaid Funding

Regional Center Depreciation and Annual Adjustments

Description: Federal rules allow states to draw Medicaid for some capital costs related to facilities for people with developmental disabilities using a depreciation method. Depreciation amounts are included in the daily rates the Department of Human Services charges to the Department of Health Care Policy and Financing for regional center consumers. However, because depreciation is associated with a past expenditure, it is not an operating expense that is included in the Department of Human Services operating budget. Instead, the depreciation amounts paid by HCPF (which are based on a standard 50-50 General Fund-federal funds match) are reverted at the end of the year. Appropriating General Fund for depreciation allows the state to draw federal dollars, but then the General Fund and federal funds revert to the General Fund at the end of the year. In addition, provision of this line item assists the State in managing the discrepancy that may exist between the cash funds accounting in HCPF and the accrual accounting in Human Services (the "annual adjustments" component).

Request: The Department requested continuation funding.

Recommendation: **Staff recommends continuation funding.** Staff is working with the Department to update the estimate of depreciation and may bring a comeback to the Committee if additional information is available before introduction of the Long Bill. Also, rather than letting this money revert every year, staff is exploring whether it would violate any federal regulations to appropriate the money to offset the need for General Fund. Since the money is intended to address facility expenses, it might be reasonable to appropriate the money for maintenance costs of the Regional Centers.

(C) Work Therapy

Program Costs

Description: This cash funds appropriation provides spending authority for sheltered workshop programs that train and employ 300 clients of the regional centers (approximately 65 percent of the funds), and of the Colorado Mental Health Institute at Fort Logan (approximately 35 percent of the funds). Revenue is derived from contracts with area businesses and organizations for custodial services, printing, packaging, mailing, and other types of manual processing that can be performed by program clients. Enrolled clients are paid from funds received in proportion to the work performed.

Request: The Department requests continuation funding.

Recommendation: **Staff recommends the requested continuation funding.** The spending authority is for earned revenue.

(D) Division of Vocational Rehabilitation

The Division of Vocational Rehabilitation assists people whose disabilities result in barriers to employment or independent living to attain or maintain employment and to live independently. The Division has field and satellite offices throughout the State where rehabilitation counselors work with clients to assess needs and identify appropriate services. The federal government provides reimbursement for 78.7 percent of eligible rehabilitation expenditures up to the total annual federal grant for the State. In Colorado, the match for these expenditures includes General Fund (Rehabilitation Programs - General Fund Match) and local government funds, primarily from school districts (Rehabilitation Programs - Local Funds Match). The Division also administers federal and state grants to assist individuals with disabilities to live independently, including grants to independent living centers throughout Colorado and grants for programs that assist older blind individuals.

Rehabilitation Programs - General Fund Match

Description: Core rehabilitation services include: counseling and guidance, job development or placement, mental restoration services, occupational licenses, tools and equipment, physical restoration services, assistive technology, specialized services for a specific disability, telecommunications services, and training. Because the focus of this program is employment, services generally do not include medical treatment or rehabilitation.

The General Fund in this line item has an "M" notation next to it, indicating that the General Fund is used to match federal funds, and pursuant to the Long Bill headnote instructions any mid-year increase or decrease in the available federal funds causes a proportional decrease in the General Fund.

Request: The Department requests continuation funding according to OSPB's common policies, which include:

- Continuation and recalculation of the PERA reduction implemented last year; and,
- A 1.0 percent across the board reduction in personal services, in addition to the 1.0 percent reduction approved at supplemental time (a total 2.0 percent reduction).

Recommendation: **Staff recommends continuation funding according to the JBC's common policies.** For every \$1 the state puts into the program it gets \$3.69 federal funds up to the total federal grant. The components of the staff recommendation are summarized in the table below.

Rehabilitation Programs - General Fund Match				
	Total	General Fund	Federal Funds	FTE
FY 2010-11 Long Bill	19,406,937	4,130,530	15,276,407	225.7
1% Personal Services reduction	(138,454)	(29,491)	(108,963)	0.0
FY 2010-11 Appropriation	19,268,483	4,101,039	15,167,444	225.7
Restore 1% Personal Services	138,454	29,491	108,963	0.0
Restore PERA contribution	285,202	60,748	224,454	0.0
1.5 % vacancy savings	(196,293)	(41,763)	(154,530)	0.0
FY 11-12 PERA contribution	(293,375)	(62,222)	(231,153)	0.0
Staff Rec. FY 2011-12	19,202,471	4,087,293	15,115,178	225.7

Rehabilitation Programs - Local Match

Description: Similar to the Rehabilitation Programs - General Fund Match line item, but the match for federal funds comes from local sources, including: donations, funds from local governments interested in extending vocational rehabilitation services to qualified participants in the Temporary Assistance to Needy Families (TANF) program, and school districts participating in the School-to-Work Alliance Program (SWAP).

The largest source of local funds (87 percent) is school districts participating in the SWAP. In the SWAP program, school districts provide the required match for federal funds and in return receive a 1:1 match from the state on their original contribution. These funds are used to provide job development, on-the-job training, and job-site support to students with disabilities. Additional federal funds received by the Division in excess of the federal funding provided to the school district are used to support other core vocational rehabilitation services. Approximately 85 percent of the state's school districts participate in the SWAP and the program serves over 3,000 youth annually.

In addition to the SWAP, this line item includes funds from other state and local agencies that have contracts with the Division to provide services to their clients. This includes contracts with community colleges and the Department's Mental Health Services section, among others. In these two examples, community college funds and General Fund transferred from Mental Health Services provide the match for federal vocational rehabilitation dollars.

The cash funds in this line item have a "H" notation, indicating that the cash funds are used to match federal funds, and pursuant to the Long Bill headnote instructions any mid-year increase or decrease in the available federal funds causes a proportional decrease in the cash funds.

Request: The Department requests continuation funding according to OSPB's common policies, which include:

- Continuation and recalculation of the PERA reduction implemented last year; and,
- A 1.0 percent across the board reduction in personal services, in addition to the 1.0 percent reduction approved at supplemental time (a total 2.0 percent reduction).

Recommendation: **Staff recommends continuation funding according to the JBC's common policies.**

The components of the staff recommendation are summarized in the table below.

Rehabilitation Programs - Local Funds Match					
	Total	Cash Funds	RF - Schools and State Agencies	Federal Funds	FTE
FY 2010-11 Long Bill	31,432,400	34,735	6,675,600	24,722,065	18.0
Restore PERA contribution	6,032	211	1,074	4,747	0.0
1.5 % vacancy savings	(266,949)	(299)	(56,790)	(209,860)	0.0
FY 11-12 PERA contribution	(6,545)	(230)	(1,164)	(5,151)	0.0
Staff Rec. FY 2011-12	31,164,938	34,417	6,618,720	24,511,801	18.0

American Reinvestment and Recovery Act - Vocational Rehabilitation Funding

Description: Reflects federal funds from the American Recovery and Reinvestment Act allocated to vocational rehabilitation programs.

Request: The Department's request reflects that the the one-time money has been used and no more funds are available for FY 2011-12.

Recommendation: **Staff recommends the request as there are no more remaining available federal funds.**

Business Enterprise Program for People who are Blind

Description: The Business Enterprise Program assists blind or visually-impaired individuals in operating vending and food service businesses in approximately 45 state and federal buildings. There are no General Fund dollars associated with this program. In addition to federal funds, money from the Business Enterprise Cash Fund (vendor assessments) supports the program. The program is the result of the federal Randolph-Sheppard Vending Facility Program (34 C.F.R. 395.3 (11) (iv), and associated state law at Section 26-8.5-100, C.R.S., which give priority to blind and visually impaired individuals who wish to operate and manage food and vending services in federal and state government office buildings and facilities.

Funding in this line item supports site development, initial merchandise and supply inventory, purchasing equipment, and providing technical support to vendors. After initial set-up is established, managers operate the facility with revenue from food sales. All operators pay a certain percentage of their profits (up to 13 percent) to support the program. These assessments are deposited into the Business Enterprise Cash Fund that, in combination with matching federal funds, supports this line item and the associated Program Operated Stands, Repair Costs, and Operator Benefits line item. The federal government matches most expenditures associated with the program, and all amounts in this line item, at a 78.7 percent rate.

Request: The Department requests continuation funding according to OSPB's common policies.

Recommendation: Staff recommends continuation funding according to the JBC's common policies. No General Fund is required. All of the state match comes from sales. For every dollar of state match the state earns \$3.69 in federal funds up to the grant amount.

Business Enterprise Program for People who are Blind				
	Total	Cash Funds - Sales and Services	Federal Funds	FTE
FY 2010-11 Long Bill	1,191,520	253,079	938,441	6.0
Restore PERA contribution	6,231	1,327	4,904	0.0
1.5 % vacancy savings	(15,538)	(3,299)	(12,239)	0.0
FY 11-12 PERA contribution	(7,853)	(1,672)	(6,181)	0.0
Staff Rec. FY 2011-12	1,174,360	249,435	924,925	6.0

Business Enterprise Program - Program Operated Stands and Operator Benefits

Description: This line item pays for costs associated with the Business Enterprise Program that are not eligible for the 78.7 percent federal match. These include: expenditures for costs associated with temporary state operation of vending facilities when a vendor leaves the program; equipment maintenance and repair during this interim period; and payments to operators to support their health insurance, IRA contributions, and vacation pay (operators are not state employees). Revenues from the operation of the vending stands and payments by the vendors support this program. Expenses and revenues in this line item are highly unpredictable, as they are dependent upon whether one or more operators abandon sites during the year.

Request: The Department requests continuation funding according to OSPB's common policies.

Recommendation: Staff recommends the requested continuation funding. No General Fund is required for this program.

Independent Living Centers and State Independent Living Council

Description: Independent living grants help train and assist disabled individuals to live and function outside of an institution. The grantee provides the cash funds portion of the match for the federal dollars. In FY 1997-98, the General Assembly added a General Fund grants program to this line. These General Fund grants have historically been equally distributed among the State's ten independent living centers.

Request: The Department requests a continuing level of General Fund support and reflects the end of one-time federal funds that were made available through the American Recovery and Reinvestment Act.

Recommendation: Staff recommends the request. While staff finds it difficult to quantify and prove the performance of the Independent Living Centers, since it is unknown what people would have done without services, the cost of nursing home placements are so high that the Independent Living Centers would not need to change the outcomes for very many people to justify the state

expenditure. The Department reports that the Independent Living Centers served 6,947 unduplicated people in federal fiscal year 2010, which is \$214 General Fund per person. The rest of the money comes from federal funds, private contributions, and earned enterprise revenue.

Options for balancing:

- **Phase out state funding for Independent Living Centers beginning with a 25 percent reduction in FY 2011-12, or \$364,401 General Fund.** As noted above, it is difficult to prove the performance of the Independent Living Centers, since it is unknown what people would have done without services. Part of the mission of the Independent Living Centers is to advocate for people with disabilities. Providing state funding for advocacy may be inappropriate. The Department distributes the state funds equally to the Independent Living Centers without consideration for the number served, local matching funds raised, or other performance criteria. The Independent Living Centers don't reach every county. There are 11 that were not served in 2010. So, this is a benefit that goes to some parts of the state but not others, without explicit prioritization criteria explaining why some regions should get the benefit but not others.

Phasing out funding makes more sense than eliminating it, because it may allow the Independent Living Centers to adapt by raising more local and private funding and/or reducing programs. The ability of the Independent Living Centers to absorb reductions in state funding varies and allowing time for them to plan for a reduction in state funding increases the chances that they will be able to continue operations in some form in the future. A small amount of the total grant should not be eliminated. Specifically, \$86,111 counts as the state match for \$775,000 worth of federal grants to support independent living and older individuals who are blind.

Older Blind Grants

Description: This line item provides independent living services to persons age 55 or older who are blind or visually impaired. Most have become blind in later life. Eligible persons are provided assistance in learning new strategies for accomplishing daily tasks and participating in community and family activities. Independent living centers and other community agencies are eligible to receive funding under an RFP process. Grants are currently awarded to six independent living centers and the Colorado Center for the Blind. Funding is based on 90 percent federal funds matched with 10 percent funds from recipients.

Request: The Department requests continuation funding.

Recommendation: **Staff recommends a reduction of \$248,789 federal funds to reflect the end of one-time money available through the American Recovery and Reinvestment Act.** The Department did not include this reduction in the request due to an oversight.

Traumatic Brain Injury Trust Fund

Description: The Traumatic Brain Injury Trust Fund receives revenue from a \$20.00 surcharge for DUI and related convictions, \$15.00 surcharge for speeding violations, and \$10 surcharge for helmet convictions. The Board may also accept gifts, grants, and donations, although none have been forthcoming. At least 55 percent of the money must be spent for direct services for people with traumatic brain injuries, at least 25 percent for research, and at least 5 percent for education. The Board has discretion over the remaining 10 percent.

Request: The Department requests continuation funding according to OSPB's common policies, which include:

- Continuation and recalculation of the PERA reduction implemented last year; and,
- A 1.0 percent across the board reduction in personal services, in addition to the 1.0 percent reduction approved at supplemental time (a total 2.0 percent reduction).

Recommendation: **Staff recommends continuation funding according to the JBC's common policies.** The components of the staff recommendation are summarized in the table below.

Traumatic Brain Injury Trust Fund		
	Cash Funds	FTE
FY 2010-11 Long Bill	3,296,652	1.5
Restore PERA contribution	1,891	
1.5 % vacancy savings	(2,598)	
FY 11-12 PERA contribution	(2,842)	
Staff Rec. FY 2011-12	3,293,103	1.5

Estimated Federal Social Security Reimbursement

Description: States receive incentive payments when vocational rehabilitation programs successfully remove people from the federal Supplemental Security Income (SSI) program.

Request: The Department requests continuation funding.

Recommendation: **Staff recommends continuation funding.** The line item provides a more complete picture of the funds available for vocational rehabilitation, but it is shown for informational purposes only, since the legislature does not control the use of the funds.

(E) Homelake Domiciliary and State and Veterans Nursing Homes

The Department of Human Services operates five state and veterans nursing homes and one domiciliary (assisted living facility) located throughout the State. The nursing homes and domiciliary operate as an enterprise, have continuous authority to spend funds received, and generally do not require General Fund operating subsidies. Nonetheless, they are reflected in the Long Bill because they are state owned, employ significant numbers of state FTE, and present a significant financial

liability to the State should they fail, due to obligations the State takes on when it accepts federal grants for construction and renovation of veterans nursing homes.

Federal authorities authorize grants of up to 65 percent of total costs for the construction of state veterans nursing homes and make per-diem operating payments for veterans. In return the State must agree that: (1) a minimum of 75 percent of residents will be veterans and the remaining 25 percent will include spouses or parents whose children died while serving; (2) the facility will remain a veterans home for a minimum of 20 years; and (3) the facility will maintain Veterans Administration (VA) certification. To maintain such certification the facility must submit to various federal audits and surveys demonstrating compliance with VA rules. If any of these requirements are not met, the State is required to repay the VA construction funding.

Homelake Domiciliary State Subsidy

Description: The Homelake Domiciliary is a 46-bed facility in Monte Vista that serves residents who do not require continuous nursing or medical care, but may need assistance with meals, housekeeping, personal care, laundry, and access to a physician. Residents pay rental fees that are subsidized by U.S. Veteran's Administration per diem payments. Residents are veterans or their relations.

Request: The Department requests continuation funding.

Recommendation: **Staff recommends the requested continuation funding.** If state funding were reduced or eliminated, the Department would need to increase resident fees to compensate. The staff recommendation is based on the General Assembly's historic practice of subsidizing those resident fees, but this is a line item the JBC could consider reducing to address the budget deficit.

Nursing Home Consulting Services

Description: Funding for this program was discontinued in FY 2009-10. Annual General Fund for these services was originally provided in FY 2005-06 in response to recommendations of the Fitzsimons Accountability Committee, the Colorado Board of Veterans Affairs, and the Commission on State and Veterans Nursing Homes established pursuant to H.B. 05-1336. The consulting services: (1) assisted the state-operated homes in identifying and correcting areas of improvement in the provision of services to residents; (2) increased the census, where appropriate, at each home; (3) provided an independent and regular assessment of the performance of each home, based on selected key performance indicators; and, (4) regularly reported this performance data to the appropriate oversight entities.

Request: The Department did not request funding.

Recommendation: **Staff recommends no funding.** To address the budget shortfall funding was eliminated for this program in FY 2009-10.

Nursing Home Indirect Costs Subsidy

Description: This line item was added in FY 2007-08 to more explicitly reflect the General Fund subsidy for the State and Veterans Nursing Home indirect costs. The amount shown in the line item is based on the estimated indirect costs associated with Department services to the nursing homes. The total is shown as General Fund in this line item and as reappropriated funds in the Department's Office of Operations, to which the funds are transferred.

Request: The Department requests continuation funding.

Recommendation: **Staff recommends the requested continuation funding.** If state funding were reduced or eliminated, the Department would need to increase resident fees to compensate. The staff recommendation is based on the General Assembly's historic practice of subsidizing those resident fees, but this is a line item the JBC could consider reducing to address the budget deficit.

Program Costs

Description: This line item is intended to provide an estimate of state and veterans nursing home expenditures for the five homes and Homelake Domiciliary. Cash amounts reflect patient pay revenue, and federal amounts reflect federal per diem payments. Amounts include the “double count” of any General Fund appropriations (such as for Homelake) that are deposited to the Central Fund for use by the nursing homes. The nursing home system is an enterprise, and the amounts shown are not counted as state revenue for purposes of Article X, Section 20 of the State Constitution, except in years in which large capital construction amounts are appropriated. Further, the nursing homes have continuous spending authority for funds received pursuant to Article 12 of Title 26, C.R.S. Thus, **this line item is shown solely for informational purposes.**

Amounts shown reflect total expenditures for the nursing home system, including payments for the Division of State and Veterans Nursing Homes in the Department and costs considered “non-operating” such as depreciation.

Request: The Department requests continuation funding.

Recommendation: **Staff recommends using the Department's estimated FY 2010-11 projected operating expenses, less Trinidad, for the estimate of FY 2011-12 expenditures in the Long Bill.** The table below shows the Department's estimate of revenue and expenses for each nursing home.

	Trinidad	Homelake	McCandless (Florence)	Rifle	Walsenburg	Fitzsimons	Division	TOTAL
REVENUE								
Operating	4,197,945	5,492,379	9,514,174	8,732,056	3,242,964	21,228,468	1,532,436	53,940,422
Non-operating ¹	<u>(1,013)</u>	<u>109,588</u>	<u>10,006</u>	<u>0</u>	<u>0</u>	<u>87</u>	<u>0</u>	<u>118,668</u>
Total Revenue	4,196,932	5,601,967	9,524,180	8,732,056	3,242,964	21,228,555	1,532,436	54,059,090
EXPENSES								
Operating	4,186,105	5,262,913	8,926,571	8,315,875	3,181,521	19,234,311	1,532,436	50,639,732

State and Veterans Nursing Homes - FY 2010-11 Projected Income Statement								
Non-operating ²	<u>65,945</u>	<u>129,238</u>	<u>93,279</u>	<u>351,758</u>	<u>169,681</u>	<u>921,434</u>	<u>0</u>	<u>1,731,335</u>
Total Expense	4,252,050	5,392,151	9,019,850	8,667,633	3,351,202	20,155,745	1,532,436	52,371,067
Operating Profit	11,840	229,466	587,603	416,181	61,443	1,994,157	0	3,300,690
Total Profit	(66,958)	(19,650)	(83,273)	(351,758)	(169,681)	(921,347)	0	(1,612,667)

(1) Non-operating revenue reflects interest and any funding for capital construction.
(2) Reflects depreciation, except at the Fitzsimons home, where also includes bond/note costs.

(1) EXECUTIVE DIRECTOR'S OFFICE

(B) Special Purpose

A couple of the line items in the Special Purpose subdivision of the Executive Director's Office are related to services for people with disabilities and are discussed here in this figure setting.

Developmental Disabilities Council

Description: This federally funded council of 24 appointed representatives is responsible for providing coordination, planning and advice on developmental disability services, including development of a state plan for developmental disability services.

Request: The Department's request includes a recalculation of the statewide PERA rate reduction.

Recommendation: **Staff recommends continuation funding according to the JBC's common policies.** The components of the staff recommendation are summarized in the table below.

Developmental Disabilities Council		
	Federal Funds	FTE
FY 2010-11 Appropriation	875,525	6.0
Restore PERA contribution	6,946	0.0
1.5 % vacancy savings	(5,519)	0.0
FY 11-12 PERA contribution	(6,679)	0.0
Staff Rec. FY 2011-12	870,273	6.0

Colorado Commission for the Deaf and Hard of Hearing

Description: Created in FY 2000-01, the Colorado Commission for the Deaf and Hard of Hearing is codified at Section 26-21-101, et. seq., C.R.S. The Commission is responsible for: (1) facilitating the provision of general government services to persons who are deaf and hard of hearing; (2) distributing telecommunications equipment for persons who are deaf and hard of hearing; and (3) overseeing the provision of legal interpreters for the hearing impaired. The General Fund pays for a portion of the legal interpreters program and the remainder of the funding comes from a transfer from the Colorado Disabled Telephone Users Fund (DTUF) to the Colorado Commission for the Deaf and Hard of Hearing Cash Fund. The Commission may also receive and expend gifts, grants and donations.

Request: The Department requests budget reduction item #2 to convert cash funded contractual services to 0.5 state FTE and thereby save a net \$23,919 cash funds. The Department is currently funded \$50,000 to contract for outreach and education regarding the adaptive telecommunications equipment available through the program. The Department reports it has been difficult and time consuming to find contractors with appropriate expertise in dealing with people who are deaf or hard of hearing. Performance of the contractors has lagged behind the Department's part-time state employee doing similar work. The Department estimates that with increasing the FTE authorization (at a cost of \$26,081 cash funds) and eliminating the contract funds (for a savings of \$50,000) it can achieve a 10 percent increase in inquiries, equipment and accessories distributed. The net \$23,919 reduction in expenditures will go back to the Disabled Telephone Users Fund and become available for other programs.

Otherwise the request is for continuation funding according to OSPB's common policies, which include:

- Continuation and recalculation of the PERA reduction implemented last year; and,
- A 1.0 percent across the board reduction in personal services, in addition to the 1.0 percent reduction approved at supplemental time (a total 2.0 percent reduction).

Recommendation: **Staff recommends the requested conversion of cash funded contractual services to 0.5 state FTE.** No General Fund is required for the conversion. The Department projects increased efficiency with state FTE. The staff calculation of the net savings is slightly greater than the Department's calculation due to using the lower PERA rate approved by the JBC in calculating the cost of the new FTE. The components of the staff recommendation are summarized in the table below.

Colorado Commission for the Deaf and Hard of Hearing				
RF -				
Deaf and Hard of				
Hearing Cash Fund				
	Total	GF		FTE
FY 2010-11 Appropriation	1,037,999	127,809	910,190	5.8
Restore PERA contribution	4,563	776	3,787	0.0
1.5 % vacancy savings	(11,990)	(1,480)	(10,510)	0.0
FY 11-12 PERA contribution	(6,317)	(1,131)	(5,186)	0.0
Convert contract to state FTE	(24,503)	0	(24,503)	0.5
Staff Rec. FY 2011-12	999,752	125,974	873,778	6.3

Colorado Commission for Individuals who are Blind or Visually Impaired

Description: The Commission provides advice on programs administered by the Division of Vocational Rehabilitation for individuals who are blind or visually impaired and serves as an information resource and liaison between the blind and visually impaired community and the executive and legislative branches. The appropriation for the Commission is from the Disabled Telephone Users Fund and is transferred from the Department of Regulatory Agencies, Public Utilities Commission up to a maximum of \$112,067, per statutory restrictions.

Request: The Department requests continuation funding.

Recommendation: **Staff recommends continuation funding, which is also the statutory maximum for the program.** This amount includes approximately \$58,617 and 1.0 FTE, \$500 for general operating costs, \$45,000 for contract costs including reader services and assessment studies, and \$7,950 for member reimbursement and meeting costs.

Long Bill Footnotes

Staff recommends that the following footnotes be **continued**:

- 23 **Department of Human Services, Services for People with Disabilities, Community Services for People with Developmental Disabilities, Program Costs --** It is the intent of the General Assembly that expenditures for these services be recorded only against the Long Bill group total for Program Costs.

Comment: Provides the Department with flexibility to move funds between line items in the Program Costs section of the budget.

- 25 **Department of Human Services, Services for People with Disabilities, Community Services for People with Developmental Disabilities, Other Community Programs, Preventive Dental Hygiene --** The purpose of this appropriation is to assist the Colorado Foundation of Dentistry in providing special dental services for persons with developmental disabilities.

Comment: Explains the purpose of the appropriation. The Department is in compliance, using the money to assist the Colorado Foundation of Dentistry.

Staff recommends that the following footnotes be **discontinued**:

- 24 **Department of Human Services, Services for People with Disabilities, Community Services for People with Developmental Disabilities, Program Costs --** It is the intent of the General Assembly that all adults with developmental disabilities receiving Medicaid or State funding shall be offered all available day services, including supported employment, facility and community based activities, and pre-vocational services. Medicaid waivers for services for people with developmental disabilities shall be amended as soon as possible to include pre-vocational services as a program option. The waiver amendments shall indicate that the progress towards community employment of individuals receiving pre-vocational services will be reviewed every five years. If the review indicates, and the consumer and guardian agree, that a move to community employment is appropriate, then that change may be made. This does not preclude the individual continuing in pre-vocational services until a community job can be secured. Medicaid guidelines do not require, nor shall the waiver amendment include, a limit on the time an individual may receive pre-vocational services. Further, the Department shall provide non-integrated work services for consumers who are

currently enrolled, or who choose to enroll, in programs offering facility-based work until the waivers for the provision of pre-vocational services are approved. The Department shall report back to the Joint Budget Committee and the Health and Human Services of the House and Senate by September 2010 on the status of the waiver amendments to include pre-vocational services, the pre-vocational rate, and any transition issues.

Comment: The Governor did not veto the footnote, because it was written as an expression of legislative intent, but did argue in his veto letter that the footnote attempts to administer the appropriation in violation of the separation of powers. The Governor noted that the footnote details the content of amendments to the Medicaid waivers, how/when individuals receiving pre-vocational services are reviewed, continued provision of pre-vocational services post review, continued provision of non-integrated work services for currently enrolled individuals, and the provision of a report. He instructed the Department to, "consider the General Assembly's suggestions."

The Department submitted a letter in December 2010 responding that pursuant to federal guidance Medicaid reimbursement for Non-integrated Work Services will be eliminated June 30, 2012. The Department is in the process of amending the Medicaid waivers that govern funding for Adult Comprehensive Services and for Supported Living Services to include Pre-vocational Services as a day service option. Consistent with the criteria articulated in the footnote, the draft definition of Pre-vocational Services includes a review of progress towards a community employment every five years, as well as no limit on the length of time a person can be enrolled in services.

Information Requests

Staff recommends that the following requests for information be **continued**:

- 31. Department of Human Services, Services for People with Disabilities, Community Services for People with Developmental Disabilities, Program Costs, Early Intervention Services for 2,176 General Fund resources --** The Department is requested to notify the Joint Budget Committee before implementing any cost containment strategy expected to result in a decrease in the number of people eligible for early intervention services. The notification should include discussion of alternative strategies, including but not limited to provider rate reductions and increasing payments from non-General Fund sources, and an estimate of the cost of serving the projected population without reducing eligibility.

Comment: The footnote provides an opportunity for the JBC to consider providing new funds for Early Intervention services for increased costs prior to the Department taking any action to reduce expenditures by limiting the eligible population. The Department could still reduce provider rates or Early Intervention benefits without needing to first consult the JBC. The Department has not implemented any cost containment strategies expected to result in a decrease in the number of people eligible for early intervention services.

32. **Department of Human Services, Services for People with Disabilities, Division of Vocational Rehabilitation, Rehabilitation Programs -- Local Funds Match** – The Department is requested to provide a report to the Joint Budget Committee, by November 1 of each year, that details deferred cash and reappropriated funds revenue on its books as of the close of the preceding fiscal year.

Comment: The required match rate for federal funds in the Rehabilitation Programs -- Local Funds Match line item is 21.3 percent. In some years the Division receives more in local funds than the minimum required to match the available federal funds. The excess is rolled forward and used to match federal funds for direct services in the next year. In FY 2009-10 the Division received \$1,628,664 local funds in excess of the necessary match for federal funds.

The primary source of local funds for vocational rehabilitation programs is school districts participating in the School-to-Work Alliance Program (SWAP). These school districts "over-match" and pay 50 percent of program costs, rather than 21.3 percent. The Department uses the over-match to pay for services beyond the school districts. Without this over-match, the Department would have insufficient General Fund to draw down all available federal funds and would need to further curtail services to eligible applicants.

APPENDIX A: Program Costs

	FY 2010-11 Appropriation	Payment Delay	Change to Match Rate	Over/(Under) Expenditure	10-11 Cost Containment	Subtotal Changes	FY 2010-11 Estimate	Payment Delay	Change to Match Rate	Health Care Expansion Fund	Annualize 10-11 Cost Containment	One-time Catch-up Payments	DRAFT 11-12 Cost Containment	Staff Rec. More Cost Containment	Early Intervention	Leap Year	Subtotal Changes	FY 2011-12 Recommendation	Emergencies/ Transitions
(2) Program Costs																			
Adult Comprehensive Services	269,004,046	2,670,369	0	38,247,166	(804,089)	40,113,446	309,117,492	(2,670,369)	0	0	454,894	(2,500,000)	(6,717,589)	(8,708,394)	0	707,335	(19,434,123)	289,683,369	2,932,845
General Fund	1,650,459	0	0	0	(1,237,844)	(269,154)	412,615	0	0	0	(412,615)	0	0	0	0	0	(412,615)	0	0
CF - client cash	30,798,715	0	0	0	0	30,798,715	30,798,715	0	0	0	0	0	0	0	0	0	0	30,798,715	0
RF - Medicaid	236,554,872	2,670,369	0	38,247,166	433,755	41,351,290	277,906,162	(2,670,369)	0	0	867,509	(2,500,000)	(6,717,589)	(8,708,394)	0	707,335	(19,021,508)	258,884,654	2,932,845
GF	91,151,344	1,028,970	4,400,090	15,409,383	187,352	21,025,795	112,177,139	(1,028,970)	26,469,728	0	433,755	(1,250,000)	(3,358,795)	(4,354,197)	0	353,668	17,265,189	129,442,328	1,466,423
FF	145,403,528	1,641,399	(4,400,090)	22,837,783	246,403	20,325,495	165,729,023	(1,641,399)	(26,469,728)	0	433,754	(1,250,000)	(3,358,794)	(4,354,197)	0	353,667	(36,286,697)	129,442,326	1,466,422
Adult Supported Living Services	52,317,915	1,059,483	0	(9,609,881)	(269,154)	(8,819,552)	43,498,363	(1,059,483)	0	0	(89,718)	(1,000,000)	0	0	0	0	(2,149,201)	41,349,162	180,944
General Fund	7,974,941	0	0	0	(269,154)	(269,154)	7,705,787	0	0	0	(89,718)	0	0	0	0	0	(89,718)	7,616,069	0
RF - Medicaid	44,342,974	1,059,483	0	(9,609,881)	0	(8,550,398)	35,792,576	(1,059,483)	0	0	0	(1,000,000)	0	0	0	0	(2,059,483)	33,733,093	180,944
GF	17,086,614	408,250	824,811	(8,899,478)	0	(2,668,417)	14,420,197	0	99,826	0	(500,000)	0	0	0	0	0	2,446,350	16,866,547	90,472
FF	27,256,360	651,233	(824,811)	(5,710,403)	0	(5,883,981)	21,372,379	(651,233)	(3,354,600)	0	0	(500,000)	0	0	0	0	(4,505,833)	16,866,546	90,472
Early Intervention Services	12,798,328	0	0	0	0	0	12,798,328	0	0	0	0	0	0	0	2,162,602	0	2,162,602	14,960,930	0
General Fund	12,798,328	0	0	0	0	0	12,798,328	0	0	0	0	0	0	0	2,162,602	0	2,162,602	14,960,930	0
Family Support Services	6,219,699	0	0	0	(3,149,491)	(3,149,491)	3,070,208	0	0	0	0	0	(3,070,208)	0	0	0	(3,070,208)	0	0
General Fund	6,219,699	0	0	0	(3,149,491)	(3,149,491)	3,070,208	0	0	0	0	0	(3,070,208)	0	0	0	(3,070,208)	0	0
Children's Extensive Support Services	6,576,446	272,454	0	1,297,520	0	1,569,974	8,146,420	(272,454)	0	0	0	0	0	0	0	0	(272,454)	7,873,966	0
RF - Medicaid	2,133,704	104,984	102,999	524,301	0	732,284	2,865,988	(104,984)	656,437	519,541	0	0	0	0	0	0	1,070,994	3,936,982	0
GF	400,388	0	19,328	0	0	19,328	419,716	0	99,826	(519,541)	0	0	0	0	0	0	(419,715)	1	0
CF - Health Care Expansion Fund	4,042,354	167,470	(122,327)	773,219	0	818,362	4,860,716	(167,470)	(756,263)	0	0	0	0	0	0	0	(923,733)	3,936,983	0
Case Management and Quality Assurance	22,370,389	742,913	0	5,089,904	(40,244)	5,792,573	28,162,962	(742,913)	0	0	23,089	0	(2,928,398)	0	1,108,061	0	(2,540,161)	25,622,801	134,217
General Fund	3,888,010	0	0	0	(51,833)	(51,833)	3,836,177	0	0	0	0	0	0	0	932,033	0	932,033	4,768,210	0
RF - Medicaid	18,482,379	742,913	0	5,089,904	11,589	5,844,406	24,326,785	(742,913)	0	0	23,089	0	(2,928,398)	0	176,028	0	(3,472,194)	20,854,591	134,217
GF	7,095,170	286,266	342,501	2,056,474	5,006	2,690,247	9,785,417	(286,266)	2,258,245	34,540	11,545	0	(1,464,199)	0	88,014	0	641,879	10,427,296	67,109
CF - Health Care Expansion Fund	26,618	0	1,285	0	0	1,285	27,903	0	6,637	(34,540)	0	0	0	0	0	0	(27,903)	0	0
FF	11,360,591	456,647	(343,786)	3,033,430	6,583	3,152,874	14,513,465	(456,647)	(2,264,882)	0	11,544	0	(1,464,199)	0	88,014	0	(4,086,170)	10,427,295	67,108
Special Purpose	879,572	0	0	0	0	0	879,572	0	0	0	0	0	0	0	0	0	0	879,572	0
General Fund	360,844	0	0	0	0	0	360,844	0	0	0	0	0	0	0	0	0	0	360,844	0
RF - Division of Voc. Rehab.	481,488	0	0	0	0	0	481,488	0	0	0	0	0	0	0	0	0	0	481,488	0
RF - Medicaid	37,240	0	0	0	0	0	37,240	0	0	0	0	0	0	0	0	0	0	37,240	0
GF	14,350	0	692	0	0	692	15,042	0	3,578	0	0	0	0	0	0	0	3,578	18,620	0
FF	22,890	0	(692)	0	0	(692)	22,148	0	(3,578)	0	0	0	0	0	0	0	(3,578)	18,620	0
Subtotal - (2) Program Costs	370,166,395	4,745,219	0	35,024,709	(4,262,978)	35,506,950	405,673,345	(4,745,219)	0	0	388,265	(3,500,000)	(12,716,195)	(8,708,394)	3,270,663	707,335	(25,303,545)	380,369,800	3,248,006
General Fund	32,892,281	0	0	0	(4,708,322)	(4,708,322)	28,183,959	0	0	0	(502,333)	0	(3,070,208)	0	3,094,635	0	(477,906)	27,706,053	0
CF - client cash	30,798,715	0	0	0	0	30,798,715	30,798,715	0	0	0	0	0	0	0	0	0	0	30,798,715	0
RF - Division of Voc. Rehab.	481,488	0	0	0	0	481,488	481,488	0	0	0	0	0	0	0	0	0	0	481,488	0
RF - Medicaid	305,993,911	4,745,219	0	35,024,709	445,344	40,215,272	346,209,183	(4,745,219)	0	0	890,598	(3,500,000)	(9,645,987)	(8,708,394)	176,028	707,335	(24,825,639)	321,383,544	3,248,006
GF	117,481,181	1,828,468	5,671,093	14,090,680	192,357	21,782,598	139,263,783	(1,828,470)	32,742,588	554,081	445,300	(1,750,000)	(4,822,994)	(4,354,197)	88,014	353,668	21,427,990	160,691,773	1,624,004
CF - Health Care Expansion Fund	427,006	0	20,613	0	0	20,613	447,619	0	106,463	(554,081)	0	0	0	0	0	0	(447,618)	1	0
FF	188,085,724	2,916,751	(5,691,706)	20,934,029	252,987	18,412,061	206,497,781	(2,916,749)	(32,849,051)	0	445,298	(1,750,000)	(4,822,993)	(4,354,197)	88,014	353,667	(45,806,011)	160,691,770	1,624,002
Net General Fund	150,373,462	1,828,468	5,671,093	14,090,680	(4,315,965)	17,074,276	167,447,742	(1,828,470)	32,742,588	554,081	(57,033)	(1,750,000)	(7,893,202)	(4,354,197)	3,182,649	353,668	20,950,084	188,397,826	1,624,004