

**Schedule 13**

**Department of Health Care Policy and Financing**

**Funding Request for The FY 2021-22 Budget Cycle**

Request Title

**R-18 Behavioral Health Program Adjustments**

Dept. Approval By: 

Supplemental FY 2020-21

OSPB Approval By: 

Budget Amendment FY 2021-22

Change Request FY 2021-22

Summary Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
<b>Total</b>		<b>\$945,357,559</b>	<b>\$0</b>	<b>\$1,075,758,611</b>	<b>(\$89,357,696)</b>	<b>(\$46,611,915)</b>
FTE		0.0	0.0	0.0	0.0	0.0
<b>Total of All Line Items Impacted by Change Request</b>	GF	\$246,481,122	\$0	\$272,092,533	(\$23,578,390)	(\$13,662,160)
	CF	\$54,045,515	\$0	\$62,673,885	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$644,830,922	\$0	\$740,992,193	(\$65,779,306)	(\$32,949,755)

Line Item Information	Fund	FY 2020-21		FY 2021-22		FY 2022-23
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
<b>Total</b>		<b>\$945,357,559</b>	<b>\$0</b>	<b>\$1,075,758,611</b>	<b>(\$89,357,696)</b>	<b>(\$46,611,915)</b>
03. Behavioral Health Community Programs,	FTE	0.0	0.0	0.0	0.0	0.0
(A) Behavioral Health Community Programs,	GF	\$246,481,122	\$0	\$272,092,533	(\$23,578,390)	(\$13,662,160)
(1) Behavioral Health Community Programs -	CF	\$54,045,515	\$0	\$62,673,885	\$0	\$0
Behavioral Health Capitation Payments	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$644,830,922	\$0	\$740,992,193	(\$65,779,306)	(\$32,949,755)

**Auxiliary Data**

Requires Legislation? YES

Type of Request?

Department of Health Care Policy and Financing Prioritized Request

Interagency Approval or Related Schedule 13s:

No Other Agency Impact



**Department Priority: R-18**  
**Request Detail: Behavioral Health Program Adjustments**

Summary of Funding Change for FY 2021-22				
	Totals		Incremental Change	
	FY 2020-21 Appropriation	FY 2021-22 Base	FY 2021-22 Request	FY 2022-23 Request
Total Funds	\$945,357,559	\$1,075,758,611	(\$89,357,696)	(\$46,611,915)
FTE	0.0	0.0	0.0	0.0
General Fund	\$246,481,122	\$272,092,533	(\$23,578,390)	(\$13,662,160)
Cash Funds	\$54,045,515	\$62,673,885	\$0	\$0
Reappropriated Funds	\$0	\$0	\$0	\$0
Federal Funds	\$644,830,922	\$740,992,193	(\$65,779,306)	(\$32,949,755)

**Summary of Request:**

The Department requests to adjust the funding level for the inpatient and residential substance use disorder benefit for FY 2021-22 and future years and reduce the behavioral health value-based payment program by 25%. The reduction in funding for the substance use disorder benefit aligns with current expectations for the level of provider capacity that will be available. These reductions enable the Department to respond to the State’s revenue shortfalls while preserving important priorities. For example, the Department is protecting for behavioral health capitated payments for services. This request represents a decrease of approximately 0.74% from the Department’s FY 2020-21 Long Bill total funds appropriation.

The inpatient and residential substance use disorder benefit is currently on Step 1 of the evidence continuum, as the benefit has not been implemented yet. The value-based payment program for behavioral health is on Step 3 of the Evidence Continuum, the Department closely monitors each RAE’s progress towards achieving the performance targets before and after each payment period, and this evaluation is used to determine if the RAE has earned the payment.



***Current Program:***

The Department is implementing an expanded residential and inpatient substance use disorder treatment benefit on January 1, 2021, as authorized by HB 18-1136, “Substance Use Disorder Treatment.” The Department requested to reduce the appropriated funding for the first year of implementation of the new benefit in FY 2020-21 R-11, “Patient Placement and Benefit Implementation- Substance Use Disorder” because of anticipated slower ramp up in utilization of the new benefit than initially projected due to provider capacity limits. In the FY 2020-21 Long Bill, the General Assembly removed funding for July-December 2020 to account for a delay in the implementation of the program, and reduced funding for January-June 2021 to 50% of the original amount.

In FY 2018-19, the Department started paying value-based payments to the contracted behavioral health providers based on service performance and quality metrics of up to 5% of the total capitation expenditure paid from the previous fiscal year’s services. These payments are passed through by the RAEs to the behavioral health providers.

***Problem or Opportunity:***

Based on ongoing analysis of the State's provider network, the RAEs readiness to provide substance use disorder treatment, and the ongoing effects of the COVID-19 pandemic, the Department anticipates that the cost of the expanded benefit will be significantly less than the projected fiscal impact of HB 18-1136 in the first year of implementation (calendar year 2021). The Department is working with an actuary to develop and finalize the rates that will be paid to the RAEs to cover the expanded benefit starting January 1, 2021. Based on this analysis, the Department is projecting that the full year cost of the benefit will remain significantly lower than initially projected in HB 18-1136 through FY 2021-22 because the initial estimate did not account for capacity limitations. Rather than calculating costs based on the number of enrollees with substance use disorders, the more robust actuarial rates model calculates cost based on available beds, considering the level of care recommended by the American Society of Addiction Medicine (ASAM), and estimating the proportion of beds that will be utilized by Medicaid members. This will more accurately reflect the capacity of the system for Medicaid utilization.

Additionally, the Department is facing a challenging budget environment amid revenue shortfalls associated with the pandemic and economic downturn. The Department has examined a broad range of potential budget reduction options, including those related to behavioral health, while protecting important priorities.

***Proposed Solution:***

The Department requests a reduction of \$89,357,696 total funds, including \$23,578,390 General Fund in FY 2021-22 and a reduction of \$46,611,915 total funds, including \$13,662,160 General Fund in FY 2022-23 and future years in order to meet the budget shortfall. The request would

adjust the funding level for the inpatient and residential substance use disorder benefit for FY 2021-22 and future years and reduce the Behavioral Health value-based payment program by 25%.

### **Cost Adjustment for Substance Use Disorder Benefit**

The Department is requesting to reduce the funding for the new residential and inpatient substance use disorder treatment benefit. This is consistent with the Department's previous analysis that providers would need time to expand capacity to meet the needs of all members who need residential or inpatient care.

Since the benefit has not been implemented yet, the Department has no data to determine whether these services are effective on a case-by-case basis. However, there are several studies evaluating whether residential and inpatient services are effective for substance use disorders, compared to outpatient services alone. The American Society of Addiction Medicine (ASAM) is continually collecting and conducting research to justify its inclusion of inpatient and residential care in its level of care continuum. This indicates that it is on Step 1 of the Evidence Continuum.

### **Reduction of Behavioral Health Incentive Payment**

To reduce expenditure, the Department requests to reduce the Behavioral Health value-based payment program by 25%. This would reduce payments to behavioral health providers for meeting outcome metrics defined in contracts. This would be a reduction to total payments to the RAEs, but it is preferable to reducing the behavioral health capitation rates, which would likely lead to benefit reductions for members. As managed care entities, RAEs have a financial incentive beyond the value-based payment program to meet program quality metrics, such as following up after a behavioral health-related hospitalization. The Department believes the value-based payment program is on Step 3, "Assess Outcomes" of the Office of State Planning and Budgeting (OSPB) Evidence Continuum. While the Department does not have a control group that does not receive an incentive payment, it very closely monitors each RAE's progress towards achieving the performance targets before and after each incentive payment period. That progress is the basis for determining whether the RAE has earned the incentive payment.

### **Required Statutory Changes for Cash Fund Savings**

In order to maximize General Fund savings, the Department is requesting to repurpose cash funds to offset General Fund costs in Medicaid in the amount of the expected reductions. For this request, the changes would require amendments to the allowable uses of the HAS Fee (section 25.5-4-402.4, C.R.S.).

### ***Anticipated Outcomes:***

The Department anticipates that the proposed changes would help the Department achieve its Wildly Important Goal #2 of Medicaid Cost Control by reducing payments to the RAEs that are not service payments. RAEs would still be required to meet access and quality metrics. Access to care was identified as the number one concern among clients by the Behavioral Health Task Force, commissioned by the Governor under the Department of Human Services.

***Assumptions and Calculations:***

**Cost Adjustment for Substance Use Disorder Benefit**

The Department estimated the reduction to the new residential and inpatient substance use disorder treatment benefit as 50% of the currently projected costs for July – December 2021, 63% of the currently projected costs for January – June 2022 based on a linear ramp up, and 80% of currently projected costs for FY 2022-23. The Department would use the regular budget process to account for the actual costs of the program in future years as they are determined.

**Reduction of the Behavioral Health Incentive Payment**

The Department estimated savings as 25% of the projected incentive payment amount from FY 2021-22 R-2, “Behavioral Health Community Programs.”

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R-18 Behavioral Health Program Adjustments  
Appendix A: Assumptions and Calculations

Table 1.1 Summary by Line Item FY 2021-22									
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP Rate	Notes/Calculations
A	(3) Behavioral Health Community Programs, Behavioral Health Capitation Payments	(\$89,357,696)	0.0	(\$23,578,390)	\$0	\$0	(\$65,779,306)	73.61%	Table 2.1 Row E
<b>B</b>	<b>Total Request</b>	<b>(\$89,357,696)</b>	<b>0.0</b>	<b>(\$23,578,390)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$65,779,306)</b>		Row A

Table 1.2 Summary by Line Item FY 2022-23									
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP Rate	Notes/Calculations
A	(3) Behavioral Health Community Programs, Behavioral Health Capitation Payments	(\$46,611,915)	0.0	(\$13,662,160)	\$0	\$0	(\$32,949,755)	70.69%	Table 2.2 Row E
<b>B</b>	<b>Total Request</b>	<b>(\$46,611,915)</b>	<b>0.0</b>	<b>(\$13,662,160)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$32,949,755)</b>		Row A

Table 1.3 Summary by Line Item FY 2023-24									
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP Rate	Notes/Calculations
A	(3) Behavioral Health Community Programs, Behavioral Health Capitation Payments	(\$47,900,947)	0.0	(\$14,306,676)	\$0	\$0	(\$33,594,271)	70.13%	Table 2.3 Row E
<b>B</b>	<b>Total Request</b>	<b>(\$47,900,947)</b>	<b>0.0</b>	<b>(\$14,306,676)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$33,594,271)</b>		Row A

R-18 Behavioral Health Program Adjustments  
Appendix A: Assumptions and Calculations

Table 2.1 Summary by Initiative FY 2021-22									
Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP Rate	Notes/Calculations
A	Reduction to New Substance Use Disorder Benefit Funding	(\$80,034,644)	0.0	(\$12,939,650)	(\$5,977,214)	\$0	(\$61,117,780)	76.36%	Calculated based on utilization ramp up over time
B	Cash Fund Transfer to Offset General Fund	\$0	0.0	(\$5,977,214)	\$5,977,214	\$0	\$0		General Fund Offset
C	Reduce the Behavioral Health Incentive by 25%	(\$9,323,052)	0.0	(\$2,551,977)	(\$2,109,549)	\$0	(\$4,661,526)	50.00%	Calculated from November Forecast
D	Cash Fund Transfer to Offset General Fund	\$0	0.0	(\$2,109,549)	\$2,109,549	\$0	\$0		General Fund Offset
<b>E</b>	<b>Total Request</b>	<b>(\$89,357,696)</b>	<b>0.0</b>	<b>(\$23,578,390)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$65,779,306)</b>		<b>Sum Rows A-D</b>

  

Table 2.2 Summary by Initiative FY 2022-23									
Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP Rate	Notes/Calculations
A	Reduction to New Substance Use Disorder Benefit Funding	(\$36,587,266)	0.0	(\$5,904,788)	(\$2,745,048)	\$0	(\$27,937,430)	76.36%	Calculated based on utilization ramp up over time
B	Cash Fund Transfer to Offset General Fund	\$0	0.0	(\$2,745,048)	\$2,745,048	\$0	\$0		General Fund Offset
C	Reduce the Behavioral Health Incentive by 25%	(\$10,024,649)	0.0	(\$2,733,564)	(\$2,278,760)	\$0	(\$5,012,325)	50.00%	Calculated from November Forecast
D	Cash Fund Transfer to Offset General Fund	\$0	0.0	(\$2,278,760)	\$2,278,760	\$0	\$0		General Fund Offset
<b>E</b>	<b>Total Request</b>	<b>(\$46,611,915)</b>	<b>0.0</b>	<b>(\$13,662,160)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$32,949,755)</b>		<b>Sum Rows A-D</b>

  

Table 2.3 Summary by Initiative FY 2023-24									
Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP Rate	Notes/Calculations
A	Reduction to New Substance Use Disorder Benefit Funding	(\$36,587,266)	0.0	(\$5,904,788)	(\$2,745,048)	\$0	(\$27,937,430)	76.36%	Calculated based on utilization ramp up over time
B	Cash Fund Transfer to Offset General Fund	\$0	0.0	(\$2,745,048)	\$2,745,048	\$0	\$0		General Fund Offset
C	Reduce the Behavioral Health Incentive by 25%	(\$11,313,681)	0.0	(\$3,054,597)	(\$2,602,243)	\$0	(\$5,656,840)	50.00%	Calculated from November Forecast
D	Cash Fund Transfer to Offset General Fund	\$0	0.0	(\$2,602,243)	\$2,602,243	\$0	\$0		General Fund Offset
<b>E</b>	<b>Total Request</b>	<b>(\$47,900,947)</b>	<b>0.0</b>	<b>(\$14,306,676)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$33,594,271)</b>		<b>Sum Rows A-D</b>