



COLORADO DEPARTMENT OF HEALTH CARE POLICY & FINANCING

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Bill Ritter, Jr., Governor • Joan Henneberry, Executive Director

November 2, 2009

The Honorable Moe Keller, Chairman
Joint Budget Committee
200 East 14th Avenue, Third Floor
Denver, CO 80203

Dear Senator Keller:

This letter is in response to the Legislative Request for Information number 21 which states:

The Department is requested to submit a report to the Joint Budget Committee by November 2, 2009 regarding any changes to capitation rates for the mental health program that were made on or before July 1, 2009 in order to reduce capitation rates to the mid-range of the actuarially sound range. This information is requested by behavioral health region contractor and by aid category. Within the report, the Department is requested to provide the Committee with information on how these adjustments will impact rates for calendar year 2010. The Department is also requested to provide the Committee with estimated savings in FY 2009-10 from any capitation adjustments.

The Department of Health Care Policy and Financing (the Department), in conjunction with its contracted mental health actuary, Pricewaterhouse Coopers, calculate mental health capitation rates within the actuarially sound rate range using two sources of data: historical rate experience and recent encounter data submitted by the five Behavioral Health Organizations (BHOs). A per member per month (PMPM) from each source is calculated individually. Each calculation accounts for a weighted share of the total capitation rate. Under direction from the Centers for Medicare and Medicaid Services, the Department gradually puts more weight on the encounter data PMPM. FY 2005-06 was the first year of rate setting that used a combination of historical rate experience and recent encounter data. These capitation rates were calculated using 5% encounter data and 95% of the historical rate experience. The Department has increased the weight of the encounter data each year since. For July-December 2009 rates, encounter data accounts for 35% of the total rate.

In the rate setting cycle for calendar year 2009, the Department found that the estimated service expenditures were generally valued at an amount less than expected, relative to the BHO's audited financial statements. The Department believes that there are two primary reasons for this discrepancy. First, the non-traditional, federally waived (b)(3) service data was newly included in the FY 2006-07 encounter data used for rate setting and appeared to not be completely reported. Additionally, inconsistencies in coding and accounting practices cause some difficulties in the encounter pricing methodology. To offset the discrepancy, the Department increased all BHO rates by 3% above the midpoint of the actuarially sound rate range for the January-June 2009 rate. Although there was an increase in the rates within the actuarially sound rate range, the January-June final 2009 rate increased by 1% compared to the previous 2008 rate.

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The July-December 2009 rates were set at the midpoint of the actuarially sound rate range. Effective September 2009, the Department further decreased the rates to 2.5% below the midpoint because of a statewide budget cut. Attachment A provides the rates for calendar year 2009 by Behavioral Health Organization and by rate cell.

Pricewaterhouse Coopers consistently uses the midpoint of the actuarially sound rate range for the previous year as the data source for the historical rate experience. The calculation of the rates for calendar year 2010 will use the midpoint of the rate range in calendar year 2009 for the historical rate experience, regardless of any adjustment made to decrease or increase the rates within the actuarially sound rate range. Therefore, movement within the actuarially sound rate range in calendar year 2009 will not impact the calculation of the actuarial midpoint for calendar year 2010.

Due to the decrease in the rates from the midpoint of the actuarially sound rate range to 2.5% below the midpoint for September-December 2009 rates, there will be a savings in FY 2009-10. The total budgeted savings from the 2.5% decrease below the midpoint from September 2009 through the end of the fiscal year is \$4,445,268, as presented in the Department's August 24, 2009 request, ES-2. The savings calculation can be found in Attachment B. The Department's future budget requests will update this savings figure to capture any additional changes in rates, caseload, program initiatives, and legislation as part of the normal budgeting process. While the actuarially sound rate range effective January 2010 has not been finalized, the rates effective January 2010 will be set at 2.5% below the actuarially sound midpoint of the 2010 rate range.

If you require further information or have additional questions, please contact the Department's Budget and Finance Office Director, John Bartholomew, at john.bartholomew@state.co.us or 303-866-2854.

Sincerely,



Joan Henneberry
Executive Director

JH/sc

Cc: Representative Jack Pommer, Vice-Chairman, Joint Budget Committee
Senator Abel Tapia, Joint Budget Committee
Senator Al White, Joint Budget Committee
Representative Mark Ferrandino, Joint Budget Committee
Representative Kent Lambert, Joint Budget Committee
Senator Brandon Shaffer, President of the Senate
Senator John Morse, Senate Majority Leader
Senator Josh Penry, Senate Minority Leader
Representative Terrance Carroll, Speaker of the House
Representative Paul Weissmann, House Majority Leader
Representative Mike May, House Minority Leader
John Ziegler, Staff Director, JBC
Melodie Beck, JBC Analyst
Lorez Meinhold, Senior Policy Analyst for Health Care, Governor's Office
Liza Fox, Policy Analyst for Health Care, Governor's Office
Todd Saliman, Director, Office of State Planning and Budgeting
Lisa Esgar, Deputy Director, Office of State Planning and Budgeting
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Joan Henneberry, Executive Director
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John Bartholomew, Budget and Finance Office Director
Phil Kalin, Center for Improving Value in Health Care (CIVHC) Director
Ginny Brown, Legislative Liaison
Lindy Wallace, Project Management Director
Joanne Lindsay, Public Information Officer
HCPF Budget Library, HCPF Budget Division

Attachment A

Metro - Access Behavioral Denver - BHO Capitation Rates			
Capitation Rates and Rate Ranges			
	Jan-Jun 09 Rate	July-Aug 09 Rate	Sept-Dec 09 Rate
Elderly	\$18.53	\$18.30	\$18.07
Disabled	\$162.84	\$160.83	\$158.77
Adults	\$12.22	\$12.07	\$11.92
Children	\$10.89	\$10.75	\$10.62
Foster Care	\$201.56	\$199.07	\$196.52
Metro East - Behavioral Health Inc. (BHI) - BHO Capitation Rates			
Capitation Rates and Rate Ranges			
	Jan-Jun 09 Rate	July-Dec 09 Rate	Sept-Dec 09 Rate
Elderly	\$9.21	\$9.09	\$8.98
Disabled	\$129.56	\$127.96	\$126.32
Adults	\$17.49	\$17.27	\$17.05
Children	\$14.80	\$14.61	\$14.43
Foster Care	\$280.97	\$277.50	\$273.94
Metro West - Foothills Behavioral Health - BHO Capitation Rates			
Capitation Rates and Rate Ranges			
	Jan-Jun 09 Rate	July-Dec 09 Rate	Sept-Dec 09 Rate
Elderly	\$14.81	\$14.63	\$14.44
Disabled	\$158.16	\$156.21	\$154.20
Adults	\$25.54	\$25.22	\$24.90
Children	\$19.86	\$19.61	\$19.36
Foster Care	\$232.14	\$229.28	\$226.34
Northeast - Northeast Behavioral Health - BHO Capitation Rates			
Capitation Rates and Rate Ranges			
	Jan-Jun 09 Rate	July-Dec 09 Rate	Sept-Dec 09 Rate
Elderly	\$8.06	\$7.96	\$7.86
Disabled	\$103.85	\$102.57	\$101.25
Adults	\$17.51	\$17.29	\$17.07
Children	\$14.12	\$13.95	\$13.77
Foster Care	\$201.82	\$199.33	\$196.77
Western / Southern - Colorado Health Partnership - BHO Capitation Rates			
Capitation Rates and Rate Ranges			
	Jan-Jun 09 Rate	July-Dec 09 Rate	Sept-Dec 09 Rate
Elderly	\$14.80	\$14.62	\$14.43
Disabled	\$109.25	\$107.90	\$106.52
Adults	\$20.85	\$20.59	\$20.33
Children	\$15.24	\$15.05	\$14.85
Foster Care	\$250.02	\$246.93	\$243.77

Attachment B

Estimated Savings from Behavioral Health Organization Capitation Rate Adjustment				
		FY 2009-10	FY 2010-11	
A	Estimated Base BHO Expenditure	\$ 213,372,859.00	\$239,391,701	FY 2009-10: Long Bill and Special Bills appropriation FY 2010-11: Expenditure based on caseload and per capita growth estimated in the February 16, 2009 Budget Request, S-2, Request for Medicaid Mental Health Capitation Program
B	Reduction to Capitation Rates	-2.50%	-2.50%	ES-2
C	Estimated Reduction to Expenditure	\$ (5,334,321.00)	\$ (5,984,793.00)	Row A * Row B
D	Savings Adjustment for Implementation Date	83.33%	100%	Estimated implementation date: September 1, 2009. Because capitations are paid concurrently, there is no delay for cash accounting.
E	Total Estimated Savings	(\$4,445,268)	(\$5,984,793)	Row C * Row D

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