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Fiscal Note

Drafting Number: LLS 22-0814 **Date:** March 28, 2022
Prime Sponsors: Rep. Amabile; Sandridge **Bill Status:** House HHS
 Sen. Winter; Smallwood **Fiscal Analyst:** Clare Pramuk | 303-866-2677
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Bill Topic: INCREASE RESIDENTIAL BEHAVIORAL HEALTH BEDS

Summary of Fiscal Impact:

<input checked="" type="checkbox"/> State Revenue	<input checked="" type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill requires an increase in the number of residential behavioral health beds and includes an appropriation of \$65.0 million to the Department of Human Services to cover initial costs. The bill increases state expenditures beginning in FY 2022-23, and may increase state revenue.

Appropriation Summary: For FY 2022-23, the bill includes a \$65.0 million appropriation to the Department of Human Services, and requires an appropriation of \$183,875 to the Department of Health Care Policy and Financing.

Fiscal Note Status: The fiscal note reflects the introduced bill.

**Table 1
State Fiscal Impacts Under HB 22-1303**

	Budget Year FY 2022-23	Out Year FY 2023-24
Revenue	-	-
Expenditures¹		
General Fund	\$91,938	\$11,478,097
Cash Funds	\$65,000,000	
Federal Funds	\$91,938	\$11,478,097
Centrally Appropriated	\$190,948	\$1,340,772
Total Expenditures	\$65,374,823	\$24,296,965
Total FTE	12.1 FTE	86.3 FTE
Transfers	-	-
Other Budget Impacts	\$13,791	\$1,721,714

¹ FY 2022-23 funding will be spent over at least two fiscal years, as detailed in Table 2 in the State Expenditures section. Money in the Behavioral and Mental Health Cash Fund comes from federal ARPA funds. General Fund and federal funds expenditures represent HCPF costs to implement the bill that cannot be paid with ARPA funding and receive Medicaid matching funds.

Summary of Legislation

The bill requires an increase in the number of residential behavioral health beds, creates a new Medicaid provider type, and includes an appropriation of \$65.0 million from the Behavioral and Mental Health Cash Fund in the Department of Human Services (CDHS).

Mental Health Institute at Fort Logan beds. The CDHS will renovate a building at the Colorado Mental Health Institute at Fort Logan to add at least 16 inpatient civil beds. The additional beds may be used for persons needing competency services until the waitlist for competency services is eliminated and the beds transitioned to civil beds.

Mental health residential treatment facilities. The bill creates the mental health residential treatment facility provider type. This is a facility operated by a behavioral health entity or an assisted living residence to serve individuals with a mental health disorder who need the support of the long-term residential setting. Under the bill, individuals with a severe mental illness or a dual diagnosis of mental illness and alcohol or substance use disorder must be prioritized. Mental health residential treatment facilities must offer at a minimum:

- assistance with medication;
- direct support personnel;
- intensive case management services;
- life skills training; and
- non-medical transportation.

Residential treatment beds. By July 1, 2023, the CDHS and the Department of Health Care Policy and Financing (HCPF) are required to jointly create, develop, or contract to add at least 125 beds at mental health residential treatment facilities throughout the state based on need. When available, the CDHS is required to use existing properties. The CDHS and HCPF are required to collaborate to ensure that the beds are eligible for Medicaid.

Licensing. On or after July 1, 2022, mental health residential treatment facilities must be licensed by the CDHS or the Colorado Department of Public Health and Environment (CDPHE) with some exceptions. On and after July 1, 2023, the Behavioral Health Administration (BHA) is responsible for licensing mental health home- and community-based waiver residential treatment facilities. The BHA is required to promulgate rules establishing minimum standards for the operation and licensing of mental health residential treatment facilities.

Background

ARPA funds. The Behavioral Health Transformational Task Force recommended that the General Assembly invest in adult inpatient and residential care to provide integrated care to serve people with serious mental illness or chronic behavioral health needs using federal American Rescue Plan Act (ARPA) funds (Recommendation C). The recommendations can be found here:

https://leg.colorado.gov/sites/default/files/images/committees/2017/bhttf_final_report.pdf

Mental health institutes. The CDHS operates two state hospitals serving the mentally ill in Colorado, the Colorado Mental Health Institute at Fort Logan in Denver which has 94 adult inpatient beds and the Colorado Mental Health Institute at Pueblo which has 516 beds for adults, adolescents, and geriatric patients.

Behavioral Health Administration. House Bill 22-1278 creates the BHA in the CDHS and transfers the regulation of recovery residences and the licensing of behavioral health entities from the CDPHE to the BHA. The BHA will begin licensing functions on July 1, 2023.

Assumptions

The CDHS will create 16 residential beds at the Mental Health Institute in Fort Logan. For the 125 transitional beds, 18 will be created at CDHS-owned group home facilities, and the remaining 107 will be contracted for in coordination with HCPF utilizing waiver funding.

The fiscal note assumes that federal approval for Medicaid coverage of the residential mental health treatment benefit will be received prior to July 1, 2023.

State Revenue

To the extent that new treatment facilities seek licensure, state revenue from fees will increase. Any such increase is expected to be minimal and will be subject to TABOR.

State Expenditures

The bill increases expenditures by \$13,621,860 in FY 2022-23 and \$51,294,431 in FY 2023-24. CDHS expenditures are initially paid from the Behavioral and Mental Health Cash Fund. HCPF expenditures are paid from General Fund and federal funds. Expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under HB 22-1303

Cost Components	FY 2022-23	FY 2023-24
Department of Human Services—Oversight		
Personal Services	\$467,600	\$467,600
Operating Expenses	\$9,450	\$9,450
Capital Outlay Costs	\$43,400	-
Systems Support	\$100,000	\$100,000
Centrally Appropriated Costs ¹	\$112,103	\$112,103
FTE – Personal Services	7.0 FTE	7.0 FTE
CDHS Oversight Subtotal	\$732,553	\$689,153

**Table 2
 Expenditures Under HB 22-1303 (Cont.)**

Fort Logan Renovation and Operations—CDHS		
Personal Services	-	\$3,532,514
Operating Expenses	-	\$79,920
Capital Outlay Costs	-	\$365,800
Renovation	\$10,683,678	-
Contract Medical Professionals	-	\$1,065,468
Laboratory Operating Costs	-	\$230,000
Outside Medical Costs	-	\$146,620
Pharmaceutical Costs	-	\$227,760
Centrally Appropriated Costs ¹	-	\$930,184
FTE – Personal Services	-	59.2 FTE
CDHS Fort Logan Subtotal	\$10,683,678	\$6,578,266
Group Homes—CDHS		
Personal Services	-	\$758,091
Operating Expenses	-	\$19,980
Capital Outlay Costs	-	\$93,000
Outside Medical Costs	-	\$164,947
Pharmaceutical Costs	-	\$256,230
Room and Board	-	\$2,301,075
Centrally Appropriated Costs ¹	-	\$216,259
FTE – Personal Services	-	14.8 FTE
CDHS Group Homes Subtotal	-	\$3,809,582
Contracted Beds—CDHS		
Medicaid State Plan	-	\$6,410,138
1915(c) Eligible Patients	-	\$10,488,783
Contract Full Case Rate	\$1,586,000	-
CDHS Contracted Beds Subtotal	\$1,586,000	\$16,898,921

**Table 2
 Expenditures Under HB 22-1303 (Cont.)**

Facilities Management—CDHS		
Personal Services	\$140,482	\$140,482
Operating Expenses	\$4,455	\$4,455
Capital Outlay Costs	\$18,600	-
Utilities	\$91,055	\$91,055
Operating Expenses	\$39,100	\$39,100
Tools and Equipment	\$58,220	-
Vehicle Lease	\$4,996	\$4,996
Centrally Appropriated Costs ¹	\$45,650	\$45,650
FTE – Personal Services	3.3 FTE	3.3 FTE
Facilities Management Subtotal	\$402,558	\$325,738
CDHS Subtotal	\$13,404,789	\$28,301,660
CDHS FTE Subtotal	10.3 FTE	84.3 FTE
Health Care Policy and Financing		
Personal Services	\$168,775	\$184,118
Operating Expenses	\$2,700	\$2,700
Capital Outlay Costs	\$12,400	-
Medical Services Premiums	-	\$22,769,375
Centrally Appropriated Costs ¹	\$33,196	\$36,578
FTE – Personal Services	1.8 FTE	2.0 FTE
HCPF Subtotal	\$217,071	\$22,992,771
Total	\$13,621,860	\$51,294,431
Total FTE	12.1 FTE	86.3 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Department of Human Services. The CDHS will have an increase of \$13.4 million in FY 2022-23 and \$28.3 million in FY 2023-24 from the Behavioral and Mental Health Cash Fund to implement the provisions of the bill.

- **Oversight.** The CDHS requires 7.0 FTE to create program contracts, draft the requirements for services, coordinate referrals, manage records, coordinate transfers to placements, ensure program quality, track data and provide ongoing monitoring of the program and facilities. Annual systems support costs will cover increases in user licenses, interfaces, and remote hosting for information technology systems. Standard operating and capital outlay costs are included.

- **Fort Logan renovation and operations.** The first project will be the renovation of a facility at Colorado Mental Health Institute at Fort Logan in FY 2022-23. Costs in the first year include professional services, construction, equipment, furnishing, and communications as well as miscellaneous and contingency costs. Beginning in FY 2023-24, the facility will be fully staffed with 59.2 FTE to serve the 16 new beds. The Fort Logan facility will be a hospital level 24/7 facility with staff providing intensive psychiatric services. The staffing levels are prescribed by Joint Commission accreditation standards for mental health institutions.
- **Group homes.** The CDHS will reopen three group homes July 1, 2023, two in Pueblo and one in Broomfield, which will add 18 beds. These facilities will have 14.8 FTE beginning in FY 2023-24. The renovation costs for these facilities are included in the renovation of the Fort Logan facility and the maintenance are included in the facilities management section.
- **Contracted beds.** The remaining 107 beds will be contracted by the CDHS with HCPF seeking waiver approval for federal funding. For FY 2022-23, 20 beds are expected to be contracted at a full case rate of \$650 per day until Medicaid waiver funding is available. The fiscal note assumes 100 percent capacity of the beds between March 1, 2023, and June 30, 2023. Beginning in FY 2023-24, 107 beds will be contracted and paid for by Medicaid, estimated at a per day cost of \$325 for State Plan-eligible individuals and \$542 for home- and community-based services waiver-eligible individuals.
- **Facilities management.** The Division of Facilities Management will add 3.3 FTE to service all of the new facilities including providing support during the renovation. Costs include a one-time expenditure tools and equipment and a vehicle lease. Operating costs and utilities for the Fort Logan beds and group homes are included in this section.

Health Care Policy and Financing. HCPF requires 2.0 time-limited FTE starting July 1, 2022, through June 30, 2025, to assist in the development and management of a residential mental health benefit for individuals with serious mental health needs or chronic behavioral health concerns. These staff will seek federal authorization required to support this new benefit, and work with the CDHS to support the ongoing partnership in this initiative. Beginning in FY 2023-24, federal Medicaid funds are expected to support the 107 contracted beds, split evenly between the General Fund and federal funds and reappropriated to the CDHS. Standard operating and capital outlay costs are included.

Department of Public Health and Environment/Behavioral Health Administration. The CDPHE may have an increase in facilities seeking licensure as assisted living residences which will increase its workload. Any increase can be addressed within existing resources. Starting in FY 2023-24, this workload increase will shift to the Behavioral Health Administration in the CDHS.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2022-23, the bill appropriates \$65.0 million to the Department of Human Services. The CDHS requires 10.3 FTE. Of this, the Department of Personnel and Administration requires \$4,996 in reappropriated funds for fleet vehicle services. It is assumed that this appropriation requires roll-forward spending authority through FY 2024-25.

Additionally, the Department of Health Care Policy and Financing requires an appropriation of \$91,938 General Fund and \$91,938 in federal funds, and 1.8 FTE.

State and Local Government Contacts

Health Care Policy and Financing
Information Technology

Human Services
Public Health and Environment