Colorado Legislative Council Staff

HB17-1292

FISCAL NOTE

FISCAL IMPACT: ☒ State ☒ Local ☐ Statutory Public Entity ☐ Conditional ☐ No Fiscal Impact

Drafting Number:	LLS 17-0974	**Date:**	April 17, 2017
Prime Sponsor(s):	Rep. Young Sen. Lundberg	**Bill Status:**	House Public Health Care and Human Services
		Fiscal Analyst:	Bill Zepernick (303-866-4777)

BILL TOPIC: CHILD WELFARE PROVIDER RATES

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue		
State Expenditures	**$300,000**	
General Fund	300,000	Workload increase.
Appropriation Required: $300,000 - Department of Human Services (FY 2017-18).		
Future Year Impacts: Ongoing workload increase.		

Summary of Legislation

The bill, ***recommended by the Joint Budget Committee (JBC)***, establishes guidelines and new processes relating to the establishment of provider rates for licensed out-of-home placement providers that are paid by counties using child welfare block grant funding. By September 29, 2017, the Department of Human Services (DHS) must contract with an independent entity to conduct a salary survey and an actuarial analysis of the delivery of child welfare services, and to develop a new rate setting methodology for out-of-home-placement providers. The contractor is to involve the DHS, counties, and placement providers in the development of the new rate setting methodology, and if any of these stakeholders disagree with the rate methodology developed, they may submit alternative methodologies to the JBC by February 1, 2018. The DHS must submit the new rate setting methodology developed by the contractor to the JBC by April 2, 2018. The new methodology must be implemented by July 1, 2018, except for rates that require approval by the federal Centers for Medicaid and Medicare Services.

The bill specifies various factors that the DHS must include in the ongoing development of the rate setting methodology, including cost-of-living adjustments and provider rate increases approved by the General Assembly. The rate setting methodology must be reviewed annually by the DHS with the involvement of counties and placement providers. Beginning September 1, 2018, and each September 1 thereafter, the DHS, with input from counties, must submit a report to the JBC on workload and cost changes concerning child welfare services.

Background

Counties receive state and federal funding for child welfare services in the form of block grants. For FY 2017-18, this funding is estimated to be about $420 million. Counties may use this money to hire child welfare caseworkers, provide direct services, and contract with various providers for services, including licensed out-of-home placement services. Federal law requires states to have a rate setting methodology for licensed out-of-home placement providers. Currently, the DHS establishes a base rate that may or not be used by counties, as counties are able to negotiate rates directly with providers.

State Expenditures

The bill increases state General Fund costs in the DHS by **$300,000 in FY 2017-18 only** to contract with an independent entity to conduct the required salary survey and actuarial analysis and to develop a new rate setting methodology. The DHS will also have increased workload in FY 2017-18 and future years to participate in stakeholder meetings, review the rate setting methodology, and report to the JBC. The fiscal note assumes that the processes for procuring the contractor will start on or after July 1, 2017.

The new rate setting methodology may also affect future child welfare block grant funding provided to counties. However, this impact cannot be estimated at this time as it will depend on the type of methodology developed and future funding decisions by the General Assembly.

Local Government Impact

The bill affects counties in several ways. First, county departments of human services will have additional workload to participate in the development and ongoing review of the out-of-home placement provider rate methodology. Once the new methodology is developed, it could impact the amount paid to providers for counties that rely on the base rate. For other counties, the information provided through the contracted study and the new methodology could impact future contract negotiations with providers, which could then affect the costs paid by counties. Lastly, the new methodology may affect overall funding provided to counties through child welfare block grants, depending on future decisions by the General Assembly.

Effective Date

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

State Appropriations

For FY 2017-18, the bill requires and includes a General Fund appropriation of $300,000 to the Department of Human Services.

State and Local Government Contacts

Counties	Health Care Policy and Financing	Human Services
Information Technology	Judicial	