

**Office of Behavioral Health (OBH)
Finance & Data Protocols
Final**

Protocol Number: <u> 5 </u>	Subject: Capacity-based Protocol
Effective Date: July 1, 2018 Distribution Date: September 17, 2020 Scheduled Review Date: December 1, 2021	Related Mandates, Statutes, Standards or Executive Orders: N/A
Approved By: Accounting and Budget Manager, Office of Behavioral Health, Community Programs	

Background: The Office of Behavioral Health (OBH) contracts with providers that operate “capacity-based” facilities and programs that are funded from a variety of funding sources including Medicaid, Medicare, local funding, private insurance, State, and other sources of funding. Many of the contracts that OBH administers require that total costs for these services are offset by other funding sources prior to invoicing OBH.

For the purposes of this protocol, “capacity” may cover a variety of factors and conditions such as: expenses incurred for clients that do not have a payer source; emergencies/crisis response; service components that are not client specific but are a necessary component of “best practice” service delivery; and necessary behavioral health infrastructure to serve local communities.

Capacity-based facilities and programs recognized by OBH include but are not limited to crisis stabilization services, crisis residential services, crisis respite services, crisis hotline and warm-line, Assertive Community Treatment, vocational services programs, detoxification centers, inpatient hospitals, acute treatment units, or other individual stand-alone cost centers.

Capacity-Based Business Model:

The capacity-based business model utilizes a cost and revenue center approach whereby total costs and revenues are isolated, accumulated, adjusted by revenue recognized from other payers in accordance with GAAP. OBH covers the unfunded remainder of the costs to maintain service capacity. The unfunded costs covered by OBH are limited to the not-to-exceed amount of the contract(s).

Purpose:

This protocol is intended to provide OBH contractors with a specific procedure for accounting for revenues, expenses and adjustments utilizing the “capacity-based business model.” All invoice calculations shall be based on GAAP based revenues and expenses. Estimates are generally not allowed and must be pre-approved by OBH prior to invoicing.

Accounting:

1. Contractors and subcontractors must follow the State’s Accounting and Auditing Guidelines in accounting for these service dollars. The most current State

Behavioral Health's Accounting and Auditing Guidelines (A&A Guidelines) may be found on the following internet web address:

<https://www.colorado.gov/pacific/hcpf/mental-health-rate-reform-0>.

2. Capacity-based services contractors and subcontractors must maintain individual cost/revenue centers in their accounting systems. Unique cost/revenue centers should be used exclusively for each individual capacity-based service and should be segregated from general outpatient services and/or other capacity-based costs centers. Co-mingling with other cost centers is unallowable.
3. Journal entries of costs and revenues must be traceable and properly documented. Documentation must include descriptions and rationale for the journal entries. The journal entries must follow A&A Guidelines Chapter 2: Cost Accounting Standards.
4. Any cost that benefits more than one business activity shall be allocated in accordance with the A&A Guidelines. The contractor must quantify and describe any costs that will be allocated from other companies or the contractor's other lines of business. This plan must itemize the costs in a table format and describe the basis of allocation. The basis of the allocation must follow OMB 2 CFR 200.
5. Invoices provided to OBH must be traceable to the contractor's and subcontractor's accounting systems.
6. The contractor must establish and maintain effective internal controls to provide reasonable assurance that the contractor is managing the State's contract in compliance with State statutes, regulations, and the terms and conditions of the contract.

Business Practices:

1. Unless otherwise stated in the contract, contractors shall document and submit program budgets utilizing the budget template provided by OBH for each fiscal year.
2. Unless otherwise stated in the contract, contractors shall invoice OBH utilizing the invoicing template provided by OBH for each fiscal year.
3. The contractor and subcontractors shall account for offsets by reducing invoice submissions to OBH by GAAP-based revenue received from other payer sources including but not limited to Medicaid capitation and fee for service, Medicare, private insurance, co-payments or other patient revenue, etc. Aggregate revenue off-sets exceeding program expenditures will result in a net zero invoice to OBH.
4. The following revenue sources are exempt from the revenue offset requirement of this protocol: private grant funds, private support or donations, in-kind donations and local hospital funds. These funds must be reported below the "Net Cost" row of the invoicing template.
5. Estimates of revenue received for OBH Indigent encounters are based on the current year's OBH Base Unit and Relative Value Unit Fee for Service table. This is individualized for each contractor or subcontractor that submits a base unit cost report to the State. GAAP-based revenue received for Medicaid clients are based on Medicaid Capitation Encounters valued at the Cost per Unit of Service according to unit cost reports or negotiated rates received from the Regional Accountable Entity (RAE). The contracted rate that the contractor or

subcontractor receives from the RAE must be used to offset costs on the capacity-based invoice form.