

EXECUTIVE OFFICER'S REPORT

MAY 2016

NEED TO AMEND THE BUDGET - We have received word from Colorado Health Partners (CHP) to expect a rate reduction of 16%, which is the equivalent of \$1,400,000. The budget that you approved last month had factored in a 5% cut which was \$440,000. The balance left to address is \$960,000. This will not be an easy task and will force a staff reduction. In order to minimize staff layoffs the team has already proposed several items to be considered. We will prepare a list of all of the items we want action on and the rest we will be address as it relates to operations. This additional revenue loss will be addressed at the June board meeting with a budget amendment. To get in front of this reality the items that are already moving forward I will ask that they be terminated. The team has proposed that we not go forward with the property purchase in Del Norte, that the building expansion on the maintenance building be canceled, that we keep some vacant positions open, that we cancel the mural project for the Mi Esperanza building. This does not get to the end. We will have recommendations for the June board meeting that includes the termination of some programs and services that are not related to our core contract and finally we think that 10 staff positions will have to be terminated. We will continue to review a host of other possibilities during this time as well. Management staff have been alerted.

COMMUNITY CORRECTIONS - I have been contacted by Corrections America about the possibility of selling our operation. They have sent a document (sharing information) that we will need to be sign if we want to move forward. This is the same document that we signed 2 years ago with a party that had similar interests. This is on the agenda of the CC board.

The Director Phil Sanz has resigned and the interim director is Denise Jiron. We still do not know what our IRT allocation is and hope to hear in the next few days. The DOC IRT RFP is still under review and we hope to hear if we won the award some time before the end of June.

I have contacted Glenn Tapia asking for a meeting with Gil Romero and me. We hope to get a better understanding of what the added language to our Footnote means. He responded to our request and is willing to meet in the next two weeks. Referrals continue to be a struggle and our daily count is off by 5 beds. We are working hard to keep the referrals flowing and continue to be in contact with our referral partners to send more clients our way.

SYCARE - Sandy continues to do an outstanding job and I am very appreciative that she has brought leadership to the partners. I wish she would have been found three years ago and we would even be much further ahead. The retreat was held in Pueblo and was very productive and I think she is now better able to set her course for the next year. We are still having difficulties with the IPN in the Pueblo and Canon City locations. The INP was dropped to \$5 PMPM and is now at \$6 again. I am interested in again introducing a stop gap so that the two partners can take more responsibility and we are not disproportionately taking on their risk. This will be very difficult to do, but I am going to try it again. Dorothy is again threatening to leave the partnership if she does not get a higher distribution and I think this battle is coming sooner than later. She reports her

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agency is now in debt for \$12 million by purchasing a large building complex. This will be the reason she thinks that by leaving the partnership Health Solutions will be better off. My take on this is that misguided decisions are at play here and we are feeling the brunt of those decisions.

ICHP - I am very pleased with Chris the new director. She has a way to cutting through our partnership red tape and dealing with the difficult issues facing the partnership. We hope to get ready for the RFP and align our battle plan to win the contract. At this point we have little drama to deal with, not to say that we have won the battle over governance and the like.

COLORADO HEALTH PARTNERS - Arnold and Tina are in the trenches every day to preserve the rate and address a deluge of changes that is hitting their docket. The onslaught is relentless and it is apparent that not much can get done with the current administration. The current thinking is to minimize the damage until this administration ends and then try to rebuild our industry. We heard from the CBHC partners that all are experiencing similar challenges. We were the ones who were the first on the rate discussion schedule with the state and all have been surprised that we ended up with such a high percentage cut. All are reporting that any rate reduction of 10% will cause them to shut down several programs. It is reported that three of the bigger centers were audited by the state and several issues were identified as concerns when the audit was concluded. The final result of the audits have not been set to them, but they are anticipating some paybacks. The one that has been identified is in-kind donations and how they were factored in the cost report. The state is saying that this is not an allowable cost and is owed money and the directors of these centers are disputing the claim of not being allowable. They are preparing for a legal battle if this can't be sorted out.