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State/Territory Name: Colorado

State Plan Amendment (SPA) #: CO-14-037

This file contains the following documents in the order listed:

1) Approval Letter
2) CMS 179 Form/Summary Form (with 179-like data)
3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
1600 Broadway, Suite 700
Denver, CO 80202-4967

CENTERS FOR MEDICARE & MEDICAID SERVICES

Region VIII

September 26, 2014

Susan E. Birch, MBA, BSN, RN, Executive Director
Department of Health Care Policy & Financing
1570 Grant Street
Denver, CO 80203-1818

RE: Colorado #14-037

Dear Ms. Birch:

We have reviewed the proposed State Plan Amendment (SPA) submitted under transmittal number (TN) 14-037. This amendment revises the methods and standards for establishing payment rates for Federally Qualified Health Center services.

Please be informed that this State Plan Amendment was approved today with an effective date of July 1, 2014. We are enclosing the CMS-179 and the amended plan page(s).

In order to track expenditures associated with this amendment, Colorado should follow the CMS-64 reporting instructions outlined in Section 2500 of the State Medicaid Manual (SMM).

For those individuals whose expenditures qualify for the newly eligible federal medical assistance percentage report on the Form CMS-64.9 VIII and those not enrolled in the new adult group, claims should be reported on the Form CMS-64.9 Base.

This amendment would affect expenditures reported on Line 28-Federally Qualified Health Center.

If you have any questions concerning this amendment, please contact Curtis Volesky at (303) 844-7033.

Sincerely,

/s/

Mary Marchioni
Acting Associate Regional Administrator
Division for Medicaid & Children's Health Operations

cc: Suzanne Brennan
Pat Connally
Barb Prehmus
John Bartholomew
Max Salazar

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL **FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**	1. TRANSMITTAL NUMBER: **14-037**	2. STATE: **COLORADO**
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE & MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE **July 1, 2014**	

5. TYPE OF PLAN MATERIAL *(Check One)*:

NEW STATE PLAN | AMENDMENT TO BE CONSIDERED AS A NEW PLAN | **X AMENDMENT**

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION **42 CFR 447.371**	7. FEDERAL BUDGET IMPACT a. FFY 2013-14: $1,228,233 b. FFY 2014-15: $5,114,260
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT **Attachment 4.19-B: Methods and Standards for Establishing Payment Rates – Federally Qualified Health Center (FQHC) Services (Pages I-A and I-B)**	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)* **Attachment 4.19-B: Methods and Standards for Establishing Payment Rates – Federally Qualified Health Center (FQHC) Services (Pages I-A and I-B) (TN 13-034)**

10. SUBJECT OF AMENDMENT
Methods and standards for establishing payment rates for Federally Qualified Health Center (FQHC) Services, reflecting the rate increases effective July 1, 2014.

11. GOVERNOR'S REVIEW *(Check One)*

GOVERNOR'S OFFICE REPORTED NO COMMENT | **X OTHER, AS SPECIFIED**

Governor's letter dated 1 September 2011

COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL [redacted]	16. RETURN TO **Colorado Department of Health Care Policy and Financing** **1570 Grant Street** **Denver, CO 80203-1818** **Attn: Barbara Prehmus**
13. TYPED NAME **Suzanne Brennan**	
14. TITLE **Medicaid Director**	
15. DATE SUBMITTED **7/24/2014**	

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED **7/24/14**	18. DATE APPROVED **9/26/14**

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL **7/1/14**	20. SIGNATURE OF REGIONAL OFFICIAL **/s/**
21. TYPED NAME **Mary Marchioni**	22. TITLE **Acting ARA, DMCHO**

23. REMARKS

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – FEDERALLY QUALIFIED HEALTH CENTER (FQHC) SERVICES

All participating FQHCs including hospital-affiliated and non-hospital-affiliated health centers are required to file annual cost reports with Medicaid. Audited cost data from these reports will be used to set yearly FQHC reimbursement rates under an alternative reimbursement method. The State will determine and assure that the payments are based upon, and cover, the reasonable costs of providing services to Medicaid beneficiaries.

The payment methodologies for FQHCs will conform to section 702 of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act (BIPA) included in the Consolidated Appropriations Act of 2000, Public Law 106 - 554. The alternative payment methodology will be agreed to by the State and the FQHC, and will result in payment to the FQHC of an amount that is at least equal to the Prospective Payment System payment rate.

Effective July 1, 2014, the Alternative Payment Methodology Rate is 100% of Reasonable Cost.

The calculation methodology of the Alternative Payment Methodology Rate for both free-standing and provider-based FQHCs is the same and each FQHC shall have its own rate calculated.

The Department's hired cost report auditor determines each FQHC's Alternative Payment Methodology Rate in relationship to each FQHC's PPS rate by utilizing the following steps:

Step 1. Calculate Current Year Inflated Rate. The Current Year Inflated Rate is calculated by using the FQHC's current annual costs from the most recent audited Medicaid cost report and inflating that figure by the Medicare Economic Index (MEI) inflation factor.

Step 2. Calculate the Inflated Base Rate from the prior year. The Base Rate is calculated by taking a weighted average of the FQHC's costs for the past three years. The Base Rate is recalculated every three years, but is inflated annually by the MEI to get the Inflated Base Rate.

Step 3. Calculate the lower of the rate determined in step 1 and step 2 (to establish 100% Reasonable Costs). 100% Reasonable Costs are calculated as the lesser of the Current Year Inflated Rate and the Inflated Base Rate.

Step 4. Calculate the current inflated Prospective Payment System (PPS) Rate.

Step 5. The FQHC will be reimbursed the Alternative Payment Methodology Rate or the PPS Rate.

In the case of any FQHC that contracts with a managed care organization, supplemental wrap around payments will be made pursuant to a payment schedule agreed to by the State and the FQHC, but in no case less frequently than every 4 months, for the difference between the payment amounts paid by the managed care organization and the amount to which the center is entitled under the Prospective Payment System rate or the APM.

New free-standing FQHCs shall file a preliminary FQHC Cost Report with the Department. Data from the preliminary report shall be used to set a reimbursement rate for the first year. A base rate shall be calculated using the audited cost report showing actual data from the first fiscal year of operations as a FQHC. This shall be the FQHCs base rate until the next rebasing period.