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State/Territory Name: Colorado

State Plan Amendment (SPA) #: CO-17-0011

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
1961 Stout Street, Room 08-148
Denver, CO 80294



Region VIII

July 27, 2017

Susan E. Birch, MBA, BSN, RN, Executive Director
Department of Health Care Policy & Financing
303 East 17th Avenue, 7th Floor
Denver, CO 80203

RE: Colorado #17-0011

Dear Ms. Birch:

We have reviewed the proposed State Plan Amendment (SPA) submitted under transmittal number (TN) 17-0011. This Amendment would change the methods and standards for establishing payment rates for Outpatient Hospital Services, reflecting the rate increases effective July 1, 2017.

Please be informed that this State Plan Amendment was approved today with an effective date of July 1, 2017. 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 6A- Outpatient Hospital Services.



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

Sincerely,



Richard C. Allen
Associate Regional Administrator
Division for Medicaid & Children's Health Operations

cc: Gretchen Hammer John Bartholomew
David DeNovellis Amanda Forsythe

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES		1. TRANSMITTAL NUMBER: 17-0011	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, 2017	
5. TYPE OF PLAN MATERIAL (Check One): NEW STATE PLAN AMENDMENT TO BE CONSIDERED AS A NEW PLAN <input checked="" type="checkbox"/> AMENDMENT			
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 440.20		7. FEDERAL BUDGET IMPACT: a. FFY 2016-17: \$ <u>1,275,252</u> b. FFY 2017-18: \$ <u>5,253,297</u>	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-B: Methods and Standards for Establishing Payment Rates – Other Types of Care – 2a. Outpatient Hospital Services (Pages 1-2d of 6)		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-B: Methods and Standards for Establishing Payment Rates – Other Types of Care – 2a. Outpatient Hospital Services (Pages 1-2d of 6) (TN 16-0009)	
10. SUBJECT OF AMENDMENT: Methods and standards for establishing payment rates for Outpatient Hospital Services, reflecting the rate increases effective July 1, 2017.			
11. GOVERNOR'S REVIEW (Check One): GOVERNOR'S OFFICE REPORTED NO COMMENT <input checked="" type="checkbox"/> OTHER, AS SPECIFIED COMMENTS OF GOVERNOR'S OFFICE ENCLOSED Governor's letter dated 15 January, 2015 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL			
12. SIGNATURE OF STATE AGENCY OFFICIAL: 		16. RETURN TO: Colorado Department of Health Care Policy and Financing 1570 Grant Street Denver, CO 80203-1818 Attn: David DeNovellis	
13. TYPED NAME: Gretchen Hammer			
14. TITLE: Medicaid Director			
15. DATE SUBMITTED: <u>Initial: June 27, 2017 Updated: July 26, 2017</u>			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED June 27, 2017		18. DATE APPROVED July 27, 2017	
PLAN APPROVED – ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL July 1, 2017		 FICIAL	
21. TYPED NAME Richard C. Allen		22. TITLE ARA, DMCHO	
23. REMARKS			

TITLE XIX OF THE SOCIAL SECURITY ACT
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ATTACHMENT 4.19B

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**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - OTHER
TYPES OF CARE**

2a. OUTPATIENT HOSPITAL SERVICES (continued)

1. Medicaid Outpatient Hospital Reimbursements for Colorado Providers Effective October 31, 2016.

The Agency uses the Enhanced Ambulatory Patient Groups (EAPG) to classify OPSS services. Under the EAPG system, the payment of outpatient hospital services will include packaging of like services into groups (EAPGs) with similar resource use.

The EAPG Payment formula per line is as follows:

The lower submitted charges or the EAPG Adjusted Relative Weight multiplied by the Hospital-specific Base Rate.

a. To pay outpatient services under EAPG, the Department of Health Care Policy and Financing:

i. Uses a combination of sources for the calculation of EAPG Relative Weights, which describe relative resource intensity of services covered within the EAPG system. The Department of Health Care Policy and Financing calculates an EAPG Relative Weight using billed charges from MMIS outpatient hospital claims data and CMS-2552-10 Cost Report information. If insufficient claims data exist to calculate an EAPG Relative Weight, the Department of Health Care Policy and Financing uses a national standard EAPG Relative Weight developed by the 3M Corporation for the EAPG software version currently in use. Any modified EAPG Relative Weight for the purposes of payment calculation becomes the EAPG Adjusted Relative Weight. The EAPG Relative Weights effective October 31, 2016 are published at www.colorado.gov/hcpf.

ii. Calculates Hospital-specific Base Rate for each hospital using the following method:

1. Assign each hospital to one of the following peer groups based on hospital type and location. Pediatric hospitals are always assigned to the Pediatric Hospitals peer group, regardless of location:
 - a. Pediatric Hospitals
 - b. Urban Hospitals
 - c. Rural Hospitals
2. Process state fiscal year 2015 outpatient hospital claims using Colorado EAPG specifications and the EAPG Relative Weights calculated in the

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TYPES OF CARE**

2a. OUTPATIENT HOSPITAL SERVICES (continued)

weight development process. For lines with incomplete data, estimations of EAPG Adjusted Relative Weights will be used.

3. Calculate costs from hospital charge data obtained from Colorado's MMIS using the computation of the ratio of costs to charges from the CMS-2552-10 Cost Report. After the application of inflation factors to account for the difference in cost and caseload from state fiscal year 2015 to the implementation period, costs and EAPG Adjusted Relative Weights are aggregated by peer group and are used to form peer group base rates.
 4. For each hospital, calculate the projected EAPG payment by multiplying its peer group base rate by its hospital-specific EAPG Adjusted Relative Weights. If the projected payment exceeds a +/-10% difference from the proportion of that hospital's costs to peer group costs applied to the outpatient budget, the hospital will receive an adjustment to their base rate to cap its resulting gains or losses in projected EAPG payments to 10%.
 - a. Out of State hospitals will be designated to a Rural or Urban peer group depending on location and will receive a base rate of 90% of the respective peer group base rate. No cost-dependent cap will be applied.
 5. Effective July 1, 2017, all hospital-rates as calculated in sections 1-4 of this subsection will be increased by 1.4%.
- iii. Uses the EAPG software to assign line items to EAPGs. EAPGs can have the following types:
1. Per Diem
 2. Significant Procedure. Subtypes of Significant Procedures are:
 - a. General Significant Procedures
 - b. Physical Therapy and Rehabilitation
 - c. Mental Health and Counseling
 - d. Dental Procedure
 - e. Radiologic Procedure
 - f. Diagnostic Significant Procedure
 3. Medical Visit
 4. Ancillary
 5. Incidental
 6. Drug

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TYPES OF CARE**

2a. OUTPATIENT HOSPITAL SERVICES (continued)

7. Durable Medical Equipment
 8. Unassigned
- iv. Uses the EAPG software to determine when payment for a line assigned a Significant Procedure EAPG type should be consolidated. A consolidated payment will be calculated using an EAPG Adjusted Relative Weight of 0. Payment may not be consolidated when a procedure or service is distinct or independent from other services performed on the same day. Otherwise, a payment is consolidated when:
1. The same Significant Procedure EAPG is present on another line for that visit, or
 2. The procedure is determined to be clinically similar to another EAPG present for that visit on the claim.
- v. Uses the EAPG software to determine when payment should be packaged. A packaged payment will be calculated using an EAPG Adjusted Relative Weight of 0. A payment for a line is packaged when:
1. The assigned EAPG is considered an ancillary service to a Significant Procedure or Medical Visit EAPG present on the claim for that visit and its cost is included into the EAPG Relative Weight, except for instances of additional undifferentiated medical visits/services present on the claim, or
 2. The assigned EAPG is a Medical Visit and is present with a Significant Procedure EAPG.
 - a. Lines assigned a Medical Visit EAPG are not packaged when only Physical Therapy and Rehabilitation or Radiologic Significant Procedure EAPG types are present on other lines for that visit.
- vi. Uses the EAPG software to calculate the following discounts for any non-packaged or non-consolidated payments. The types of discounting and percentages are as follows:
1. Multiple Surgery / Significant Procedure – 100%, 50%, then 25%
 - a. For Multiple Significant Procedures of the same subtype on the same visit:

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**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - OTHER
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2a. OUTPATIENT HOSPITAL SERVICES (continued)

- i. Payment for a line assigned the Significant Procedure EAPG of that subtype with the highest EAPG Relative Weight will be calculated using an EAPG Adjusted Relative Weight of 100% of that EAPG's Relative Weight.
 - ii. Payment for a line assigned the Significant Procedure EAPG of that subtype with the next highest EAPG Relative Weight will be calculated using an EAPG Adjusted Relative Weight of 50% of that EAPG Relative Weight.
 - iii. Payment for all remaining lines assigned Significant Procedure EAPGs of that subtype will be calculated using an EAPG Adjusted Relative Weight of 25% of that EAPG's Relative Weight.
2. Bilateral Pricing – 150%
- a. Payments for lines describing bilateral services may be calculated using an EAPG Adjusted Relative Weight of 150% of that EAPG Relative Weight or EAPG Adjusted Relative Weight calculated by discounting. Bilateral discounting occurs after Multiple Significant Procedure Discounting.
3. Repeat Ancillary Procedures – 50%, then 25%
- a. For multiple lines assigned the same ancillary procedure EAPGs on a visit on a claim:
 - i. Payment for the first occurrence will be calculated using an EAPG Adjusted Relative Weight of 100% of the EAPG Relative Weight.
 - ii. Payment for the second occurrence will be calculated using an EAPG Adjusted Weight of 50% of the EAPG Relative Weight.

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**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - OTHER
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2a. OUTPATIENT HOSPITAL SERVICES (continued)

iii. Payment for all remaining occurrences will be calculated using an EAPG Adjusted Relative Weight of 25% of the EAPG Relative Weight.

4. Terminated Procedures – 50%

a. Payment for lines describing terminated procedures may be calculated using an EAPG Adjusted Relative Weight of 50% of that EAPG's Relative Weight. Terminated procedures cannot be considered bilateral procedures for the purpose of discounting. Terminated procedures are not subject to other types of discounting.

5. 340B Drug Discounting – 50%

a. Payment for lines describing 340B drugs may be calculated using an EAPG Adjusted Relative Weight of 50% of that EAPG's Relative Weight.

vii. Uses the EAPG software to determine if multiple visits are present on the claim. Visits are differentiated based on the date of service of each line item. Claims with revenue codes describing emergency room or specialty services may be considered single visits.

b. Outpatient physical therapy services shall be reimbursed under the EAPG methodology.

c. Outpatient occupational therapy services shall be reimbursed under the EAPG methodology.

d. Outpatient speech/language therapy services shall be reimbursed under the EAPG methodology.

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**METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - OTHER
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2a. OUTPATIENT HOSPITAL SERVICES (continued)

- e. Outpatient laboratory/pathology services shall be reimbursed under the EAPG methodology.
- f. Outpatient radiology services shall be reimbursed under the EAPG methodology.
- g. Outpatient nuclear medicine/computerized tomography scans shall be reimbursed under the EAPG methodology.
- h. Any service not listed here is reimbursed under the existing state plan methodology elsewhere in this section.

2-6. These sections are reserved for future use.

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