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State/Territory Name: Colorado

State Plan Amendment (SPA) #: 18-0038

This file contains the following documents in the order listed:

- 1) Approval Letter
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DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, MD 21244-1850



Financial Management Group

June 10, 2019

Laurel Karabatsos
Interim Medicaid Director
Colorado Department of Health Care
Policy and Financing
1570 Grant Street
Denver, Co 80203-1818

Re: Colorado 18-0038

Dear Ms. Karabatsos:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 18-0038. Effective for services on or after July 1, 2019, this amendment revised the inpatient hospital reimbursement methodology for Specialty Acute, Spine/Brain Injury Treatment Specialty and Rehabilitation Hospitals.

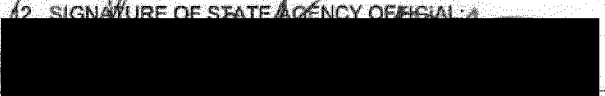
We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903(a) and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C. We are pleased to inform you that Medicaid State plan amendment TN 18-0038 is approved effective July 1, 2019. The CMS-179 and the amended plan pages are attached.

If you have any questions, please contact Christine Storey at (303) 844-7044.

Sincerely,



Kristin Fan
Director

<p align="center">TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</p> <p>FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES</p>		1. TRANSMITTAL NUMBER: 18-0038	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, 2019	
5. TYPE OF PLAN MATERIAL (Check One): <p>NEW STATE PLAN AMENDMENT TO BE CONSIDERED AS A NEW PLAN <input checked="" type="checkbox"/> AMENDMENT</p>			
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 447.253, 482.60		7. FEDERAL BUDGET IMPACT: a. FFY 2018-19: \$ <u>0.00</u> b. FFY 2019-20: \$ <u>0.00</u>	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19A – Methods and Standards for Establishing Prospective Payment Rates-Inpatient Hospital Services – Item I.B.4. Hospital Peer Groups – Page 2 of 64 Attachment 4.19A – Methods and Standards for Establishing Prospective Payment Rates-Inpatient Hospital Services – Item I.C. DRG Method of Payment – Page 6 of 64 Attachment 4.19A – Methods and Standards for Establishing Prospective Payment Rates-Inpatient Hospital Services – Item I.G. Free-Standing Psychiatric Hospitals (Excluding State Institutions) – Page 10, 10a, 10b of 64		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19A – Methods and Standards for Establishing Prospective Payment Rates-Inpatient Hospital Services – Item I.B.4. Hospital Peer Groups – Page 2 of 64 (TN 04-007) Attachment 4.19A – Methods and Standards for Establishing Prospective Payment Rates-Inpatient Hospital Services – Item I.C. DRG Method of Payment – Page 6 of 64 (TN 04-007) Attachment 4.19A – Methods and Standards for Establishing Prospective Payment Rates-Inpatient Hospital Services – Item I.G. Free-Standing Psychiatric Hospitals (Excluding State Institutions) – Page 10 of 64 (TN 10-012)	
10. SUBJECT OF AMENDMENT: Long Term Acute Care and Rehabilitation Hospitals, currently reimbursed at APR-DRG, will change to a per diem step-down tier methodology.			
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 29 March, 2018 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: Laurel Karabatsos			
14. TITLE: Interim Medicaid Director			
15. DATE SUBMITTED: <u>Initial: November 20, 2018</u> <u>Update #1: January 10, 2019</u> #2 6/4/19			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED		18. DATE APPROVED JUN 10 2019	

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL	20. SIGNATURE OF REGIONAL OFFICIAL
21. TYPED NAME Kristin Fan	22. TITLE Director, FMG
23. REMARKS	

JUL 01 2019



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4. Hospital Peer Groups: A grouping of hospitals for the purpose of cost comparison and determination of efficiency and economy. The peer groups are defined as follows:
 - a. Pediatric Specialty Hospitals: all hospitals providing care exclusively to pediatric populations.
 - b. Rehabilitation Hospitals: hospitals providing rehabilitation (excluding distinct part units and satellite locations).
 - c. Specialty-Acute Hospitals: hospitals providing specialty-acute care (excluding distinct part units and satellite locations).
 - d. Spine/Brain Injury Treatment Specialty Hospital: hospitals providing specialty-acute care and/or rehabilitation care specializing in treatment of a current spine and/or brain injury
 - e. Rural Hospitals: Colorado Hospitals not located within a federally designated Metropolitan Statistical Area (MSA).
 - f. Urban Hospitals: all Colorado hospitals in MSA's including those in the Denver MSA. Also included would be the Rural Referral Centers in Colorado, as defined by HCFA. (SSAS, 1886 (d) (5) (c) (I); Reg. 412.90 (c) and 412.96).

Facilities which do not fall into the peer groups described in a. through d. will default to the peer groups described in e. and f. based on geographic location.

5. Medicare Base Rate: The hospital specific Medicare base rate, which will be obtained directly from the Medicare Intermediaries represents the payment a hospital would receive from Medicare for a DRG with a weight equal to one. The Medicare base rate used for rate setting each State Fiscal Year (July 1 through June 30) will be those effective on each October 1 prior to the beginning of the State Fiscal Year.
6. Disproportionate Share Hospital (DSH) factors: These factors are specific payments made by Medicare to Disproportionate Share Hospitals within the Medicare base rate. The operating and capital Disproportionate Share Hospital factors will be obtained from the Medicare Intermediaries. The operating Disproportionate Share Hospital factor is multiplied by the federal portion of the operating subtotal to get the operating Disproportionate Share Hospital amount. The capital Disproportionate Share Hospital factor is multiplied by the capital portion of the federal payment to get the capital Disproportionate Share Hospital amount.

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- b. In cases involving transfers, each hospital involved will be paid a DRG per diem for each case based upon the full DRG payment divided by the average length of stay for the DRG (up to a maximum of one full DRG payment.) These discharges may also qualify for outlier payment.
- c. The Department may direct the PRO to review hospital transfers. After review, the PRO may recommend that preauthorization be required for transfers from a facility if it finds that transfers have been made for reasons other than when services are unavailable at the transferring hospital, or when it is determined that the client's medical needs are best met at another PPS facility. Documented emergency cases are exempt from prior authorization.

D. Adjustments To The Payment Formula

1. Adjustments to the DRG classification system, weights, and trim points will be made when appropriate.
2. In order to continue to meet the Federal Boren Amendment requirements, the information used to calculate each prospective payment system (PPS) facility's cost per discharge will be updated. The following rebasing and payment protocol for payments is established:
 - a. Effective September 19, 1990, the base rate for each facility shall be calculated based upon the most recently audited cost report available for each facility (as of 12/31/87). Changes made to audited cost reports after the rebasing calculations will not constitute the basis for a provider appeal. For the time period between July 1, 1990 and September 18, 1990, those hospital whose base rate increased by 7% or less as a result of the implementation of State Plan Amendment 90-02, should be assured a rate increase of at least 7% (not to exceed their FY 91 payment rate) during this 80 day period (July 1, 1990 to September 18, 1990).
 - b. Beginning July, 1991, an annual inflator shall be applied to each facility's cost per discharge. This annual inflator shall be derived as follows:
 - i. The HCFA Hospital Market Basket Index for the most recent year (in this case FY 1990-91) shall be used as the basis for the inflator.

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G. Per Diem Method of Payment (Designated Groups Only)

1. Free-Standing Psychiatric Hospitals (Excluding State Institutions):
 - a. Care provided in free-standing hospitals to Medicaid clients under the age of 21 is reimbursed using two per diem rates:
 - i. The initial per diem rate is paid during the first seven days of a client's stay. The second per diem rate begins on the eighth day of a client's stay and is paid for the remainder of the stay. This rate is lower than the initial per diem rate.
 - ii. Rationale: The Department analyzed historical Medicaid payment rate data and evaluated the relationship between hospital cost data and patient length of stay. Medicaid cost data from FY1987 revealed that costs for the first seven days of care were 38% higher than costs for the remainder of the certified stay. Based upon this cost relationship, the existing per diem payments made to these facilities were recalibrated to reflect a "step down" in payment after day 7. The two per diem rates, when paid for the entire 42-day average length of stay, will pay an average amount equal to previous payments to these facilities. This revision in payment methodology is designed to be revenue neutral while providing incentives for cost containment
 - b. Free-standing psychiatric hospital rates may be updated annually by the methodology outlined in Attachment 4.19-A, Section E (Adjustments for Exempt Providers), paragraph 1.
 - c. Effective October 1, 2010, any psychiatric hospital in the state of Colorado that meets all hospital enrollment requirements may be enrolled and eligible for reimbursement as a Colorado Medicaid provider.
2. Specialty-Acute Hospitals (Excludes Hospital Distinct Part Units and Hospital Satellite Locations):
 - a. Care provided in Specialty-Acute Hospitals to Medicaid clients is reimbursed using four per diem rates:
 - i. The initial per diem rate is paid during the first twenty-one days of a client's stay.
 - ii. The second per diem rate begins on day twenty-two to day thirty-five. This rate is five percent lower than the initial per diem rate.
 - iii. The third per diem rate begins on day thirty-six to day fifty-six. This rate is five percent lower than the second per diem rate.
 - iv. The fourth and final per diem rate begins on day fifty-seven through the remainder of the stay. This rate is five percent lower than the third per diem rate.
3. Rehabilitation Hospitals (Excludes Hospital Distinct Part Units and Hospital Satellite Locations):
 - a. Care provided in Rehabilitation Hospitals to Medicaid clients is reimbursed using four per diem rates:
 - i. The initial per diem rate is paid during the first six days of a client's stay.
 - ii. The second per diem rate begins on day seven to day ten. This rate is five percent lower than the initial per diem rate.
 - iii. The third per diem rate begins on day eleven to day fourteen. This rate is five

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- iv. percent lower than the second per diem rate.
 - v. The fourth and final per diem rate begins on day fourteen through the remainder of the stay. This rate is five percent lower than the third per diem rate.
4. Spine/Brain Injury Treatment Specialty Hospital (as Defined in Attachment 4.19-A, Section B):
- a. Care provided in Spine/Brain Injury Treatment Specialty Hospital to Medicaid clients is reimbursed using four per diem rates:
 - i. The initial per diem rate is paid during the first twenty-eight days of a client's stay.
 - ii. The second per diem rate begins on day twenty-nine to day forty-nine. This rate is five percent lower than the initial per diem rate.
 - iii. The third per diem rate begins on day fifty to day seventy-seven. This rate is five percent lower than the second per diem rate.
 - iv. The fourth and final per diem rate begins on day seventy-eight through the remainder of the stay. This rate is five percent lower than the third per diem rate.
5. To pay designated Inpatient Hospitals under a Classification per diem as defined above in Attachment 4.19-A, Section G, paragraphs 2-4, pages 10-10a, the Department of Health Care Policy and Financing:
- a. Assign each hospital, Specialty-Acute Hospitals and Rehabilitation Hospitals (Excludes Hospital Distinct Attached Part Units and Hospital Satellite Locations) to one of the following peer groups based on definitions from Attachment 4.19-A, Section B, paragraph 4(b-d), page 2.
 - i. Specialty-Acute Hospital
 - ii. Rehabilitation Hospital
 - iii. Spine/Brain Injury Treatment Specialty Hospital
 - b. Process Medicaid Inpatient hospital claims from state fiscal year 2017, known as the Base Year, though the methodology described in Attachment 4.19-A, Section G, paragraphs 2-4, pages 10-10a. Base per diems Budget Neutral to fiscal year 2017.
 - c. Base per diem additionally adjusted for state fiscal year increase for state fiscal year 2018 (1.4%), state fiscal year 2019 (1%) and state fiscal year 2020 (1%). Furthermore, the Medicaid Per Diem base rate, as determined in Attachment 4.19-A, Section G, paragraph 5(a)(i-iii), page 10a, shall be adjusted by an equal percentage.
 - d. The following equation was utilized to calculate the base per diem from Fiscal Year (FY) 2017 (7/1/2016-06/30/2017) data. FY 2017 Total Medicaid FFS Reimbursed Dollars and Per Diem Days (as defined in Attachment 4.19A, Section G paragraphs 2-4) are customized for each of the three categories: Specialty-Acute, Rehabilitation and Spine/Brain Injury Treatment Specialty. Data is pulled from Colorado MMIS.

FY 2017 Total Medicaid FFS Reimbursed Dollars

*Initial Per Diem Days + (0.95 * Second Per Diem Days) + (0.95² * Third Per Diem Days) + (0.95³ * Fourth Per Diem Days)*

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H. Public Process for Hospital Rate-Setting

The State has in place a public process which complies with the requirements of Section 1902(a)(13)(A) of the Social Security Act.

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Supersedes
TN No. NEW

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