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## **Table of Contents**

**State/Territory Name: Colorado**

**State Plan Amendment (SPA) #: 19-0018**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) 179
- 3) Approved SPA Pages

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



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**Financial Management Group**

March 24, 2020

John Bartholomew  
Chief Financial Officer  
Colorado Department of Health Care  
Policy and Financing  
1570 Grant Street  
Denver, CO 80203-1818

Re: Colorado 19-0018

Dear Mr. Bartholomew:

We have reviewed the proposed amendment to Attachment 4.19-A and 4.19-B of your Medicaid State plan submitted under transmittal number (TN) 19-0018. Effective for services on or after October 1, 2019, this amendment adds clarifying language specific to how Graduate Medical Education (GME) payments are made to hospitals for inpatient and outpatient hospital services provided to Medicaid managed care clients under the authority of 42 CFR 438.60


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 19-0018 is approved effective October 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 or Curtis Volesky at (303) 844-7033.

Sincerely,



Kristin Fan  
Director

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>  <b>FOR: CENTERS FOR MEDICARE &amp; MEDICAID SERVICES</b>		1. TRANSMITTAL NUMBER:  <b>19-0018</b>	2. STATE:  <b>COLORADO</b>
		3. PROGRAM IDENTIFICATION: <b>TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)</b>	
TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE & MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE:  <b>October 1, 2019</b>	
5. TYPE OF PLAN MATERIAL ( <i>Check One</i> ):  NEW STATE PLAN                      AMENDMENT TO BE CONSIDERED AS A NEW PLAN <b>X AMENDMENT</b>			
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT ( <i>Separate transmittal for each amendment</i> )			
6. FEDERAL STATUTE/REGULATION CITATION:  <b>42 CFR §§ 438.60, 413 Subpart F</b>		7. FEDERAL BUDGET IMPACT:  a. FFY 2020: <b>\$0.00</b> b. FFY 2021: <b>\$0.00</b>	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  <b>Attachment 4.19A – Methods and Standards for Establishing Payment Rates-Inpatient Hospital Services – Page 10b</b>  <b>Attachment 4.19A – Methods and Standards for Establishing Payment Rates-Inpatient Hospital Services – 10c and 10d (NEW)</b>  <b>Attachment 4.19B – Methods and Standards for Establishing Payment Rates-Other Types of Care – Item 2a. Outpatient Hospital Services – Page 6 of 8</b>  <b>Attachment 4.19B – Methods and Standards for Establishing Payment Rates-Other Types of Care – Item 2a. Outpatient Hospital Services – Pages 7-8 of 8 (NEW)</b>		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT ( <i>If Applicable</i> ):  <b>Attachment 4.19A – Methods and Standards for Establishing Payment Rates-Inpatient Hospital Services – Page 10b (TN 18-0038)</b>  <b>Attachment 4.19B – Methods and Standards for Establishing Payment Rates-Other Types of Care – Item 2a. Outpatient Hospital Services – Page 6 of 6 (TN 11-041)</b>	
10. SUBJECT OF AMENDMENT:  <b>Explains how Graduate Medical Education (GME) payments are made to hospitals for Medicaid managed care clients as a component of the hospital base rate.</b>			
11. GOVERNOR'S REVIEW ( <i>Check One</i> ):  GOVERNOR'S OFFICE REPORTED NO COMMENT <b>X OTHER, AS SPECIFIED</b>  COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <b>Governor's letter dated 11 October, 2019</b>  NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL			
12. SIGNATURE OF STATE AGENCY OFFICIAL: 		16. RETURN TO:  <b>Colorado Department of Health Care Policy and Financing</b> <b>1570 Grant Street</b> <b>Denver, CO 80203-1818</b>  <b>Attn: Lauren Reveley</b>	
13. TYPED NAME:  <b>John Bartholomew</b>			
14. TITLE:  <b>Chief Financial Officer</b>			
15. DATE SUBMITTED: Initial: December 31, 2019 Update #1: March 24, 2020			
<b>FOR REGIONAL OFFICE USE ONLY</b>			
17. DATE RECEIVED		18. DATE APPROVED <b>03/24/20</b>	

**PLAN APPROVED – ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL

10/01/19

20. SIGNATURE OF REGIONAL OFFICIAL

22. TITLE

Director, FMG

21. TYPED NAME

Kristin Fan

23. REMARKS

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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.

I. Graduate Medical Education (GME) Payments to Hospitals for Medicaid Managed Care

GME costs incurred by an individual hospital for Medicaid managed care clients are carved out of managed care payments and shall be paid directly to Hospitals with a Graduate Medical Education program rather than to managed care organizations (MCOs) and regional accountable entities (RAEs) for Inpatient Services. GME, like other allowable costs, is a component of the hospital base rate. State University Teaching Hospitals' GME Inpatient costs are also carved out of managed care payments and paid through Family Medicine Program's State University Teaching Hospital Payment.

1. The most recently audited Hospital Medicare/Medicaid Cost Report (CMS 2552) available as of March 1 each fiscal year shall be used to determine the Medicaid Inpatient GME cost per day for each Hospital that has GME costs in its fee-for-service base rate, excluding State University Teaching Hospitals.
2. MCOs and RAEs shall provide reports to the Department consisting of Inpatient day utilization by Hospital for discharges (net of adjustments) on a quarterly basis. To provide more time for claim runout, these reports shall be provided to the Department no later than 120 days after the close of each calendar year quarter (see table below for exact dates).

<b>Calendar Year - Quarter</b>	<b>Reports contain utilization for</b>	<b>Due Date:</b> (120 days after end of quarter)
Calendar Year-Q1	January - March	July 31st
Calendar Year-Q2	April - June	October 31st
Calendar Year-Q3	July - September	January 31st
Calendar Year-Q4	October - December	April 30th

3. The Medicaid managed care Inpatient days for each Hospital shall be the total of the Inpatient days for each Hospital received from the MCOs and RAEs for each quarter. That total shall be multiplied by the GME cost per day to determine the Inpatient GME reimbursement for each Hospital per quarter. Please see tables 1 and 2 which identify the data sources and calculations used to create GME MCO hospital payments.

The GME reimbursement will be paid at least annually through a lump sum payment to each Hospital by June 30th of each year.

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**TABLE 1: Calculations for Outpatient (OP) Cost to Charge Ratio, Inpatient (IP) Graduate Medical Education (GME) Cost/Day and Inflation Factor for Current Year**

Data Point	Data Point Name	Sample Data	Data Source / Calculations
F	Total GME Routine Costs	\$75,000.00	CMS 2552: Worksheet B Part I, Columns 21 and 22 (Interns and Residents), Inpatient Routine Service Cost Centers.
G	Total GME Ancillary Costs	\$24,000.00	CMS 2552: Worksheet B Part I, Columns 21 and 22 (Interns and Residents), Ancillary Service Cost Centers plus Outpatient Service Cost Centers ( <u>allowable cost centers only</u> ).
H	Inpatient Ratio	0.247101	CMS 2552: Equals: Worksheet C Part I, Title XIX, Column 6 (Inpatient Charges) Line 202 (Total) divided by Worksheet C Part I, Title XIX, Column 8 (Total Charges) Line 202 (Total).
I	Inpatient Ancillary Costs	\$5,930.42	CMS 2552: Equals: Column G (Total GME IP Ancillary Costs) times Column H (IP Ratio).
J	Total GME Costs	80,930.42	CMS 2552: Equals: Column F (Total GME Routine Costs) plus Column I (IP Ancillary Costs).
N	Total Inpatient Days	1,000	CO MMIS: Medicaid Internal Reports Total IP Days on Paid Claims based on same time period of most recently audited CMS 2552.
O	Total Billed Charges	16,836,437	CO MMIS: CO MMIS Internal Reports Total OP Charges on Paid Claims based on same time period of most recently audited CMS 2552.
Q	Outpatient Cost to Charge Ratio	0.000352	Calculation: Outpatient Cost to Charge Ratio (Column J / Column O)
R	Inpatient Graduate Medical Expense Cost/Day	\$5.93	Calculation: Inpatient GME Cost/Day (Column J / Column N)
S	Inflation Factor Current Year	1.03	Calculation: Actual Regulation Market Basket Updates from CMS (Inpatient Hospital PPS Table)

This report includes input from hospitals' most recently audited CMS 2552 cost report as of March 1 in current year as well as Medicaid program days from the State's MMIS system.

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**TABLE 2: SAMPLE GRADUATE MEDICAL EDUCATION PAYMENT FOR MANAGED CARE UTILIZATION**

<b>Provider Name</b>	<b>HOSPITAL ABC</b>	<b>Calculations &amp; Data Sources used to create MCO utilization GME payment</b>
Provider Number	99999999	Colorado Medicaid Provider Number
NPI	99999999999	National Provider Identifier (NPI)
Quarter/Year	Q1-2019	Quarter and Year based on Calendar Year
MCO A Inpatient Days	1	Number produced from quarterly utilization reports created by Managed Care Organization A
MCO A Outpatient Charges	\$10,000.00	Number produced from quarterly utilization reports created by Managed Care Organization A
MCO B Inpatient Days	1	Number produced from quarterly utilization reports created by Managed Care Organization B
MCO B Outpatient Charges	\$10,000.00	Number produced from quarterly utilization reports created by Managed Care Organization B
Total Inpatient Days	2	Add all inpatient days from MCE utilization for Hospital ABC together here
Total Outpatient Charges	\$20,000.00	Add all outpatient charges from MCE utilization for Hospital ABC together here
Inpatient Rate	\$80.93	IP GME Cost/Day from Table 1
Outpatient Reimbursement Rate	72%	Percentage of reimbursement see Attachment 4.19-B; Item 2a. Outpatient Hospital Services; paragraph 10.c.
Outpatient Cost to Charge Ratio	0.00481	OP Cost to charge Ratio from Table 1
Inflation Factor	1.03000	Inflation Factor Current Fiscal Year from Table 1
Inflated Inpatient Rate	\$83.36	Inflated Inpatient Rate (Inpatient Rate * Inflation Factor)
GME Inpatient Payment	\$166.72	Total Inpatient Days * Inflated Inpatient Rate
GME Outpatient Payment	\$69.22	Total Outpatient Charges * Outpatient Reimbursement Rate * Outpatient Cost to Charge Ratio
<b>GME TOTAL PAYMENT</b>	<b>\$235.94</b>	<b>Hospital ABC's Total Payment for Quarter</b>
The calculation includes input from the hospitals' most recently audited CMS 2552 cost report as of March 1 in current year as well as Medicaid program days from the State's MMIS system.		

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OUTPATIENT HOSPITAL SERVICES (continued)

9. Supplemental Medicaid Outpatient High-Volume Small Rural Hospital Payment

Effective October 1, 2011, the Supplemental Medicaid Outpatient High-Volume Small Rural Hospital Payment is suspended.

10. Graduate Medical Education (GME) Payments to Hospitals for Medicaid Managed Care

GME costs incurred by an individual hospital for Medicaid managed care clients are carved out of managed care payments and shall be paid directly to Hospitals with a Graduate Medical Education program rather than to regional accountable entities (RAEs) and managed care organizations (MCOs) for Outpatient Services. GME, like other allowable costs, is a component of the hospital base rate.

- a. The most recently audited Hospital Medicare/Medicaid Cost Report (CMS 2552) available as of March 1 each fiscal year shall be used to determine the Outpatient GME cost-to-charge ratio for each Hospital that has a graduate medical education program. Each Hospital's GME cost-to-charge ratio shall be computed when Hospital rates are recalculated each year.
- b. MCOs and RAEs shall provide reports to the Department consisting of Outpatient charges for Medicaid clients by Hospital for Outpatient dates of service on a quarterly basis. To provide more time for claim runoff, these reports shall be provided to the Department no later than 120 days after the close of each calendar year quarter (see table below for exact dates).

<b>Calendar Year - Quarter</b>	<b>Reports contain utilization for</b>	<b>Due Date: (120 days after end of quarter)</b>
Calendar Year-Q1	January - March	July 31st
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- c. The Medicaid managed care Outpatient charges for each Hospital shall be the total of the Outpatient charges for each Hospital received from the MCOs and RAEs for each quarter. That total shall be multiplied by the cost-to-charge ratio and reduced by 28 percent to determine the Outpatient GME reimbursement for each Hospital per quarter. Please see tables 1 and 2 which identify the data sources and calculations used to create GME MCO hospital payments.

The GME reimbursement shall be paid at least annually through a lump sum payment to each Hospital by June 30th of each year.



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OUTPATIENT HOSPITAL SERVICES (continued)

<b>TABLE 1: Calculations for Outpatient (OP) Cost to Charge Ratio, Inpatient (IP) Graduate Medical Education (GME) Cost/Day and Inflation Factor for Current Year</b>			
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OUTPATIENT HOSPITAL SERVICES (continued)

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MCO A Outpatient Charges	\$10,000.00	Number produced from quarterly utilization reports created by Managed Care Organization A
MCO B Inpatient Days	1	Number produced from quarterly utilization reports created by Managed Care Organization B
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