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State/Territory Name: CO

State Plan Amendment (SPA) CO: 21-0040

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
Center for Medicaid & CHIP Services
233 North Michigan Ave., Suite 600
Chicago, Illinois 60601



Financial Management Group

July 6, 2022

Bettina Schneider, Finance Office Director
Attn: Amy Winterfeld
Colorado Department of Health Care Policy and Financing
1570 Grant Street
Denver, CO 80203-1818

RE: Colorado State Plan Amendment (SPA) Transmittal Number 21-0040

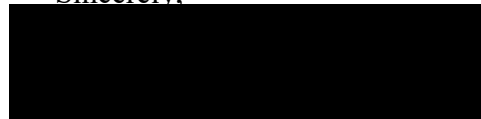
Dear Ms. Schneider:

We have reviewed the proposed Colorado State Plan Amendment (SPA) to Attachment 4.19-B of your state plan, which was submitted to the Centers for Medicare & Medicaid Services (CMS) on December 28, 2021. This plan amendment upgrades the version of Enhanced Ambulatory Patient Group (EAPGs) in use for calculation of fee for service outpatient hospital payment in order to align payment with modern outpatient healthcare delivery standards.

Based upon the information provided by the State, we have approved the amendment with an effective date of January 01, 2022. We are enclosing the approved CMS-179 and a copy of the new state plan pages.

If you have any additional questions or need further assistance, please contact LaJoshica (Josh) Smith via 214-767-6453 or lajoshica.smith@cms.hhs.gov.

Sincerely,



Todd McMillion
Director
Division of Reimbursement Review

Enclosures

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER
2 1 — 0 0 4 0

2. STATE
CO

3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT
 XIX XXI

TO: CENTER DIRECTOR
CENTERS FOR MEDICAID & CHIP SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
January 1, 2022

5. FEDERAL STATUTE/REGULATION CITATION
42 CFR 440.20

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY 2022 \$ 0
b. FFY 2023 \$ 0

7. 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

8. 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 Page 1 (TN 17-0011), 2 (TN 21-0021), 2a (TN 19-0028), 2b (TN 17-0011), 2c (TN 18-0015), 2d (TN 18-0039)

9. SUBJECT OF AMENDMENT
Upgrade the version of Enhanced Ambulatory Patient Group (EAPGs) in use for calculation of fee for service outpatient hospital payment in order to align payment with modern outpatient healthcare delivery standards. Additionally, this must be performed in order to accommodate Current Procedural Terminology/Health Care Common Procedure Coding System (CPT/HCPCS) updates

10. GOVERNOR'S REVIEW (Check One)

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

OTHER, AS SPECIFIED:

Governor's letter dated 14 July, 2021

11. SIGNATURE OF STATE AGENCY OFFICIAL
Digitally signed by Bettina Schneider, CFO
Date: 2021.12.28 07:39:45 -0700'

15. RETURN TO
Colorado Department of Health Care Policy and Financing
1570 Grant Street
Denver, CO 80203-1818

12. TYPED NAME
Bettina Schneider

13. TITLE
Finance Office Director

Attn: Amy Winterfeld

14. DATE SUBMITTED
December 28, 2021

FOR CMS USE ONLY

16. DATE RECEIVED
12/28/21

17. DATE APPROVED
July 6, 2022

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL
01/01/22

19. SIGNATURE OF APPROVING OFFICIAL

20. TYPED NAME OF APPROVING OFFICIAL
Todd McMillion

21. TITLE OF APPROVING OFFICIAL
Director, Division of Reimbursement Review

22. REMARKS

TITLE XIX OF THE SOCIAL SECURITY ACT
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ATTACHMENT 4.19B
Page 1 of 6

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – OTHER TYPES OF CARE

2a. OUTPATIENT HOSPITAL SERVICES (continued)

1. Medicaid Outpatient Hospital Reimbursements for Colorado Providers.

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. Relies on EAPG Relative Weights, which describe relative resource intensity of services covered within the EAPG system. Scaling factors are applied to the EAPG Relative Weights to meet revenue neutral requirements. Any modified EAPG Relative Weight for the purposes of payment calculation becomes the EAPG Adjusted Relative Weight. The EAPG Relative Weights effective January 1, 2022 are published at <https://hcpf.colorado.gov/outpatient-hospital-payment>.

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. Critical Access Hospitals
 - c. Non-independent Urban Hospitals
 - d. Independent Hospitals
 - e. Rehabilitation, Long-term Acute Care, and Brain/Spine injury Hospitals
2. Rehabilitation, Long-Term Acute Care, and Brain/Spine Injury Hospitals are assigned their same hospital-specific base rate as effective immediately prior to January 1, 2022.
3. Process Medicaid outpatient hospital claims from calendar year 2019 through EAPG version 3.16 using 3M's EAPG Relative Weights, scaled for budget neutrality purposes. Hospital payment rates from version 3.10 are then compared to the version 3.16 payment rates using the hospital-specific base rates immediately prior to January 1, 2022.

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – OTHER TYPES OF CARE

2a. OUTPATIENT HOSPITAL SERVICES (continued)

4. For Critical Access Hospitals, a weighted average base rate by outpatient hospital visits is calculated. EAPG payments for Critical Access Hospitals under both versions of EAPGs are calculated using this weighted average base rate, then an inflation factor of 4.63% is applied to determine a revenue neutral rate for the Critical Access Hospital group. This inflation factor is then applied to all Critical Access Hospital rates that were in effect prior to January 1, 2022, as reflected on the Department's Outpatient Hospital Payment webpage at <https://hcpf.colorado.gov/outpatient-hospital-payment>. For all other hospitals, with the exception of Rehabilitation, Long-term Acute Care, and Spine/Brain Injury Hospitals, a revenue neutral rate is calculated which aligns payment under version 3.16 of EAPGs to payments calculated under version 3.10.
 5. For Critical Access Hospitals with a rate above 2 standard deviations of the average of their group is given a rate at 2 standard deviations above the average of their group. For each other hospital group, except Rehabilitation, Long-term Acute Care, and Spine/Brain Injury Hospitals, the average and standard deviation of their rates are calculated. For hospitals that have a rate below 1.5 standard deviations of the average rate of their assigned group, the hospital is assigned a rate at 1.5 standard deviations below the group's average rate. For hospitals that have a rate above 1.5 standard deviations of the average rate of their assigned group, the hospital is assigned a rate at 1.5 standard deviations above the group's average rate.
 6. Effective June 1, 2020, by the modification of the EAPG Weights, the allowed reimbursement of outpatient hospital drugs shall be increased by 42.93% for drugs provided in Critical Access Hospitals and Medicare Dependent Hospitals and decreased by 3.4% for drugs provided at non-independent urban hospitals.
- 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. Behavioral Health and Counseling
 - d. Dental Procedure
 - e. Radiologic Procedure
 - f. Diagnostic or Therapeutic Significant Procedure
 3. Medical Visit
 4. Ancillary

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – OTHER TYPES OF CARE
2a. OUTPATIENT HOSPITAL SERVICES (continued)

5. Incidental
 6. Drug
 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 General Significant Procedure EAPG.
- 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 TYPES OF CARE
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 TYPES OF CARE

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 - 80%

- a. Payment for lines describing 340B drugs may be calculated using an EAPG Adjusted Relative Weight of 80% of that EAPG's Relative Weight.
- ii. 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.
- e. Outpatient laboratory/pathology services shall be reimbursed under the EAPG methodology.
- f. Outpatient radiology services shall be reimbursed under the EAPG methodology.

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – OTHER TYPES OF CARE

2a. OUTPATIENT HOSPITAL SERVICES (continued)

- 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. Effective August 11, 2018, for services meeting the criteria of selected Outpatient Hospital Physician Administered Drugs, as defined by the list of drugs included in the Colorado Department of Health Care Policy and Financing's billing manual accessed through the Department's web site, that would have otherwise been compensated through the EAPGE methodology, a hospital must submit a request for authorization to the Department prior to administration of the drug. If the request is approved and the drug is administered to the patient, then the hospital must submit an invoice showing the actual acquisition cost of the drug before payment will be rendered by the Department. The Department will pay the provider 72% of the net invoice cost.
- 3-6. These sections are reserved for future use.