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State/Territory Name: Colorado

State Plan Amendment (SPA) #: 24-0018

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
7500 Security Boulevard, Mail Stop S3-14-28
Baltimore, Maryland 21244-1850



Financial Management Group

August 27, 2024

Adela Flores-Brennan
State Medicaid Director
Colorado Department of Health Care
Policy and Financing
1570 Grant Street
Denver, CO 80203-1818

RE: TN 24-0018

Dear Adela Flores-Brennan:

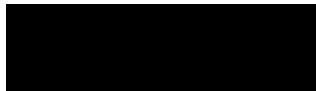
The Centers for Medicare & Medicaid Services (CMS) has reviewed the proposed Colorado state plan amendment (SPA) to Attachment 4.19-A, CO 24-0018, which was submitted to CMS on June 25, 2024. This plan amendment updates the plan by providing for a two percent rate increase for inpatient hospital services.

We reviewed your SPA submission for compliance with statutory requirements, including in sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903 and 1923 as it relates to the identification of an adequate source for the non-federal share of expenditures under the plan, as required by 1902(a)(2) of the Social Security Act and the applicable implementing Federal regulations.

Based upon the information provided by the state, we have approved the amendment with an effective date of July 1, 2024. We are enclosing the approved CMS-179 and a copy of the new state plan page.

If you have any additional questions or need further assistance, please contact Christine Storey at Christine.storey@cms.hhs.gov.

Sincerely,



Rory Howe
Director
Financial Management Group

Enclosures

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

1. TRANSMITTAL NUMBER <u>2 4 — 0 0 1 8</u>	2. STATE <u>CO</u>
3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT <input checked="" type="radio"/> XIX <input type="radio"/> XXI	

TO: CENTER DIRECTOR CENTERS FOR MEDICAID & CHIP SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE July 1, 2024
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5. FEDERAL STATUTE/REGULATION CITATION Social Security Act Title XIX, Section 1905(a)(1); 42 CFR 447.272	6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars) a. FFY <u>2024</u> \$ <u>3,448,356</u> b. FFY <u>2025</u> \$ <u>13,793,424</u>
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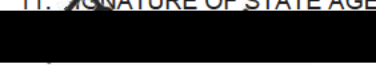
7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT Attachment 4.19-A: Methods and Standards for Establishing Payment Rates – Section 1. Inpatient Hospital Services; Page 3	8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable) Attachment 4.19-A: Methods and Standards for Establishing Payment Rates – Section 1. Inpatient Hospital Services; Page 3 (TN 23-0003)
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9. SUBJECT OF AMENDMENT
2.0% rate increase for inpatient hospital services.

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 5 April 2023

11. SIGNATURE OF STATE AGENCY OFFICIAL 	15. RETURN TO Colorado Department of Health Care Policy and Financing 303 E. 17th Avenue, Suite 1100 Denver, CO 80203 Attn: Alex Lyons
12. TYPED NAME Bettina Schneider	
13. TITLE Chief Financial Officer	
14. DATE SUBMITTED June 25, 2024	

FOR CMS USE ONLY

16. DATE RECEIVED: June 25, 2024	17. DATE APPROVED August 27, 2024
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PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL: July 1, 2024	19. SIGNATURE OF APPROVING OFFICIAL 
20. TYPED NAME OF APPROVING OFFICIAL: Rory Howe	21. TITLE OF APPROVING OFFICIAL: Director, Financial Management Group (FMG)

22. REMARKS

TITLE XIX OF THE SOCIAL SECURITY ACT
MEDICAL ASSISTANCE PROGRAM

ATTACHMENT 4.19A
Page 3

State of Colorado

7. Budget Neutrality: Budget Neutrality for Prospective Payment System (PPS) Hospitals is defined as no change in the summation of estimated payments to the PPS Hospital providers between State Fiscal Year 2003 and the State Fiscal Year for which the rates are being calculated. The estimated hospital specific payment is calculated by using hospital specific expected discharges, multiplied by the hospital specific average Medicaid case mix, multiplied by the Medicaid base rate. Effective July 1, 2020 Budget Neutrality is defined as a 1.1308% increase in the summation of estimated payments to the PPS Hospital providers between State Fiscal Year 2003 and the State Fiscal Year for which the rates are being calculated. For State Fiscal Year 2022, the Medicaid Inpatient Base Rates from State Fiscal Year 2021 will be increased by 2.0%. Starting in State Fiscal Year 2023-24, the budget neutrality factor will be expressed as a percent of the estimated payments to Colorado DRG in-state hospitals from the prior year applied to the expected discharges and hospital specific average Medicaid case mix multiplied by all rebased hospital base rates. The rebased hospital base rates used in this calculation are adjusted such that hospital rate changes do not exceed a 10% gain or loss from the prior year's rates. Effective July 1, 2023 the budget neutrality factor is defined as a reduction of calculated rates by 79.91% after which the State Budget Action of 3% is applied to the final rates. For State Fiscal Year 2024-25, the Medicaid Inpatient Base Rates from State Fiscal Year 2023-24 will be increased by 2.0%.
8. Medicaid Base Rate or Base Rate: An estimated cost per Medicaid discharge.

a. Calculation of the Starting Point for the Medicaid Inpatient Base Rate

The Department will post a rate model showing how Medicaid Inpatient Base Rates are calculated for stakeholder review. Within this model, the actual data files used as input into the model (and referenced below in the following narrative of how the model works) will appear in full in the model tabs and/or a link will be provided in the model to direct users to the data. The model will be posted on the Department website at <https://hcpf.colorado.gov/inpatient-hospital-payment>.

In rebasing years, for in-state Colorado Diagnosis Related Group (DRG) Hospitals (both PPS and non-PPS hospitals as categorized by Medicare), the starting point shall be the hospital-specific Medicare Federal base rate with the specific adjustments listed. The Operating Federal Portion and Federal Capital Rate (source: CMS Tables 1A-1B & IE) will be adjusted by the Wage Index and Geographic Adjustment Factor (GAF) from the Centers for Medicare and Medicaid Services (CMS) IMPACT File. For Critical Access Hospital (CAH) and Pediatric hospitals (non-PPS Medicare hospitals), both adjustment factors as listed above will be set to 1.0 and the corresponding labor and non-labor related amounts will be applied because these factors are not available from CMS on the corrected IMPACT File. To clarify, CAH and Pediatric hospitals are paid differently by CMS and therefore do not appear in the corrected IMPACT file or CMS Tables 1A-1B & IE, Table 15/16B or the HAC Reduction Data Set. Since the Department makes use of some of the calculations and data points created by Medicare, CAH and Pediatric hospitals have been included in that format. This is why much of that data appears as zero or one, to produce a result in the calculation.

Additionally, the Quality and Meaningful Electronic Health Records (EHR) User adjustments will be applied to all PPS hospitals as indicated on the CMS corrected IMPACT file, while all non-PPS hospitals are assumed to have submitted Quality Data and be meaningful EHR users since no data exists for them. The CMS corrected IMPACT File shall be used to set the Federal Base Rate and other adjustments detailed above effective on October 1 of the previous fiscal year.

b. Policy Adjustments

TN No. 24-0018

Approval Date: August 27, 2024

Supersedes TN No. 23-0003

Effective Date 7/1/2024