



**COLORADO**  
Department of Health Care  
Policy & Financing

1570 Grant Street  
Denver, CO 80203

August 1, 2023

The Honorable Senator Zenzinger, Chair  
Joint Budget Committee  
200 East 14<sup>th</sup> Avenue, Third Floor  
Denver, CO 80203

Dear Senator Zenzinger:

Enclosed please find the Department of Health Care Policy & Financing's progress report to the Joint Budget Committee on Medicaid behavioral health reimbursement rates as directed by 25.5-1-132(2) C.R.S.

*Pursuant to Section 25.5-1-132(2), C.R.S. requires that on or before November 15, 2022, the Department present an action plan for implementation to the Joint Budget Committee of steps it will take to reach the recommendations outlined in its HB22-1268 Behavioral Health Provider Rate Comparison Report from August 2022. The State Department shall produce a progress report on the State Department's progress made in implementing the action plan presented to the Joint Budget Committee on November 15, 2022 on or before August 1, 2023 and annually thereafter through August 1, 2025. The Department must fully implement the action plan no later than December 31, 2025.*

The progress report details the Department's efforts, in collaboration with other State agencies, to update provider definitions and responsibilities, improve transparency, and increase accountability. This includes better defining the safety net, increasing the availability for providers to engage in safety net services, and updated funding mechanisms for safety net services.

If you require further information or have additional questions, please contact the Department's Legislative Liaison, Jo Donlin, at [Jo.Donlin@state.co.us](mailto:Jo.Donlin@state.co.us) or 720-610-7795.

Sincerely,





Kim Bimestefer  
Executive Director

Enclosure(s): HCPF Action Plan on Behavioral Health Reimbursement Rates as Directed by 25.5-1-132(2) C.R.S.

Cc: Representative Shannon Bird, Vice-Chair, Joint Budget Committee  
Representative Rod Bockenfeld, Joint Budget Committee  
Senator Jeff Bridges, Joint Budget Committee  
Senator Barbara Kirkmeyer, Joint Budget Committee  
Representative Emily Sirota, Joint Budget Committee  
Carolyn Kampman, Staff Director, JBC  
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Rachel Reiter, Policy, Communications, and Administration Office Director, HCPF  
Jo Donlin, Legislative Liaison, HCPF



# HB 22-1268 Action Plan Update

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Aug. 1, 2023

Submitted to: The Joint Budget Committee

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## I. Introduction

In compliance with HB 22-1268, HCPF submitted to the Joint Budget Committee an action plan as a companion to the Behavioral Health Provider Rate Comparison Report.<sup>1</sup> HCPF must produce a progress report regarding the implementation of the action plan by Aug. 1 every year through 2025. The submitted action plan had five main action steps including timelines, dependencies, and responsible parties (see next section).

Based on the analysis presented in the Aug. 15, 2022, report, and to address issues related to discrepancies in rates between community mental health center providers and the independent provider network, HCPF presented the following five recommendations:

1. Update rates and service definitions to align with new provider definitions and improve payment models and reporting accuracy.
2. Evaluate appropriate payment methodologies as viable alternatives to the Relative Value Unit payment model.
3. Continue improvement for safety net cost reports.
4. Expand value-based payment models to larger groups of providers.
5. Continue to analyze and periodically post publicly rate review and analysis on behavioral health rates, to show changes over time.

Progress updates for these five recommendations are presented with implementation dates where appropriate.

## II. Action Steps

### 1. Update rates and service definitions to align with new provider definitions and improve payment models and reporting accuracy

#### New Safety Net Provider Definitions

The Behavioral Health Administration (BHA) is working to set the rules for the two new safety net provider types, comprehensive safety net and essential safety net, as required by a set of bills reforming the behavioral health safety net. The rulemaking

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<sup>1</sup> <https://hcpf.colorado.gov/sites/hcpf/files/HB%2022-1268%20Report.pdf>

process, originally scheduled to be completed by July 1, 2023, has been postponed by the BHA until Jan. 1, 2024. HCPF is still on track to update all behavioral health provider policies to incorporate the new provider types and allow providers to enroll into Medicaid under the new types by July 1, 2024, to align with the BHA provider definitions and scope. The new provider types will be incorporated in the Medicaid behavioral health capitation rates effective July 1, 2024, and the full implementation of the program will be complete by July 1, 2025. Providers will have one year to transition their enrollment from their current provider types to the new safety net provider types, to be fully completed by July 1, 2025.

## **New and Updated Service Definitions**

HCPF has worked in collaboration with the BHA and outside stakeholders to build and clarify the definition of Mobile Crisis Response services and Behavioral Health Secure Transport services. This included licensing concerns, billing definitions and fee for service rate builds.

- HCPF provided input into the new provider definitions and will be prepared to contract with safety net providers by July 1, 2024.
- Mobile Crisis Response services were implemented July 1, 2023.
- Behavioral Health Secure Transport services were implemented July 1, 2023.

## **2. Evaluate appropriate payment methodologies as viable alternatives to the Relative Value Unit payment model**

### **Evaluate Relative Value Weights**

HCPF engaged an outside vendor to review and evaluate the Relative Value Unit (RVU) weights used in the current, cost-based methodology for behavioral health safety net providers. The vendor, through robust stakeholder engagement and industry expertise, provided a recommendation on how to adjust RVUs to reduce disparities within the valuation of behavioral health codes. The outcome of the stakeholder engagement showed that the largest issue for the RVU methodology was the valuation of procedure codes that don't have a weight tied to national standards. HCPF's

vendor provided a methodology to adjust these weights to reduce disparities. The adjusted weights have been incorporated into the updated cost report.

In addition, the vendors also engaged the stakeholder community in a discussion of alternative payment models to replace the RVU methodology. This discussion included the possibility of a Prospective Payment System (PPS) under the new safety net structure.

- Stakeholder engagement and re-evaluation of RVUs was completed May 31, 2023.
- Engagement with stakeholders around alternative payment structures was completed May 31, 2023.

### 3. Continue improvement for safety net cost reports

#### Create Updated Reporting Requirements for Safety Net Providers

HCPF completed the first round of updated reporting requirements from CMHCs in 2022, including adding statutory service categories and limits on allowable costs. HCPF and the BHA are working to add further structure to the definition of safety net providers, incorporating the new definitions for comprehensive behavioral health safety net providers and an updated regulatory structure. The conversations around the financial, quality, and reporting requirements are still in process. The rulemaking timeline for the BHA has been moved from July 1, 2023, to Jan. 1, 2024, which impacts the cost reporting templates. HCPF and the BHA expect that the new safety net provider rules will be in effect by July 1, 2024. The state will use shared Universal Contract Provisions to ensure provider participation in the updated reporting.

- Further updates are awaiting BHA rules to be finalized in November 2023 and the implementation of universal contracting provisions.

#### Stakeholder Engagement for Cost Reports

HCPF and its vendor, in cooperation with the BHA, held in-depth cost report stakeholder engagement with a robust set of outside stakeholders including representatives of Community Mental Health Centers, Regional Accountable Entities,

and provider groups. This stakeholder group replaced the traditional Accounting and Auditing (A&A) guidelines committee. The result was an updated cost report and accompanying updated A&A guidelines. The stakeholder feedback included discussions around transparency, executive pay, and categorization of costs within the report.

- Robust stakeholder engagement on the safety net cost reports and A&A guidelines completed May 31, 2023.
- Updated cost reports and A&A guidelines reflecting feedback and agreed upon changes completed May 31, 2023.

#### 4. Expand value-based payment models to larger groups of providers

##### Explore Alternative Payment Methodologies (APMs)

HCPF and its contractors have continued the work on alternative and value-based payment models for the behavioral health program. This includes a Prospective Payment System (PPS) model for Comprehensive Safety Net providers. This new payment model will also tie to quality metrics to ensure better care and access for Medicaid members, especially those with Severe Mental Illness (SMI). HCPF is also drafting a new payment methodology for Essential Safety Net providers, providing enhanced payments to these providers but with less administrative burden that would be required if using cost reporting. The enhanced payments would also include incentives based on population served and positive health outcomes for members. Both payment models are expected to launch July 1, 2024, assuming HCPF secures federal approval for these payment models. The models qualify as directed payments as discussed in the “Apply for Directed Payment Authority” section below.

- Building updated payment models for Comprehensive and Essential Safety net providers with anticipated launch July 1, 2024.

##### Support safety net providers under new payment models

HCPF and the BHA have been continuing the work on building new safety net provider types. With the updated cost reporting and new federal authorities, HCPF is providing prospective safety net providers with technical assistance to complete cost reports and work to be licensed under the new safety net provider types.



- Working with safety net providers to prepare for implementation of new safety net provider rules effective Jan. 1, 2024, and associated payment models effective July 1, 2024.

### **Apply for directed payment authority**

HCPF has been exploring the use of directed payments in the behavioral health capitated rates and programs. Directed payments allow the state to set more rigorous direction around managed care payment models, within certain federally authorized policies. For example, directed payments could be used to create standard guidelines and more consistency between rates for specific services paid by the Regional Accountable Entities in the Medicaid Independent Provider Network (IPN). Another example is setting statewide value-based payment models for a specific population or health condition. Depending on the type of directed payment utilized, HCPF may be required to receive a directed payment approval from the Centers for Medicare & Medicaid Services (CMS) in order to apply such payments. For the fiscal year (FY) 2023-24 rates effective July 1, 2023, HCPF implemented directed payments for certain services for youth and family programs. Under CMS guidance, HCPF did not need additional approval for such directed payments by using the fee-for-service rate schedule to serve as a lower limit for payment. This ensures RAEs do not pay less than the fee-for-service fee schedule rate for the identified services. Under the new safety net provider structure, HCPF will need directed payment authority to implement a prospective payment structure with value-based incentives. HCPF will have CMS approval in place for the safety net payments starting July 1, 2024.

- Under new legislation, HB 23-1269, HCPF must review additional opportunities to utilize directed payments for improved care and to facilitate a strong network of providers, specifically for children and youth.
- HCPF will be implementing directed payments for the safety net services for the comprehensive and essential safety net providers for FY 2024-25.

## **5. Continue to analyze and periodically post publicly rate review and analysis on behavioral health rates, to show changes over time.**

HCPF has been monitoring changes in reimbursement rates, especially regarding the Independent Provider Network (IPN). At this time, HCPF is able to share a comparison

of average reimbursement rates for the limited set of behavioral health services reviewed in the Behavioral Health Provider Rate Comparison Report. HCPF is not currently able to provide any updates with regard to rates for Substance Use Disorder (SUD) services.

### **Compare Independent Provider Network Rates to Commercial Insurers**

HCPF utilized a publicly available tool<sup>2</sup> provided by the Center for Improving Value in Health Care (CIVHC) to compare average<sup>3</sup> and median<sup>4</sup> rates for the outpatient psychotherapy codes. The commercial average rate is specific to behavioral health providers, using the criteria in the tool, and represents the unweighted average of reimbursement for commercial providers for calendar year 2021. The median rate for commercial carriers has also been included to show the middle rate paid by commercial providers. The Medicaid average is the average paid to providers in the IPN by the Regional Accountable Entities, using the same data as that represented in HCPF's Behavioral Health Provider Rate Reimbursement Report released in 2022, utilizing FY 2020-2021 Medicaid data. The commercial reimbursements below reflect the aggregate of the commercial carrier's reimbursement plus the member co-pay. Since the Medicaid behavioral health benefit has no co-pay, the Medicaid payment below reflects the payment to the providers. It should be noted that the Medicaid rates represent a state fiscal year from July 1, 2020, to June 30, 2021, while the commercial rates are for a calendar year from Jan. 1, 2021, to Dec. 31, 2021. This difference does not account for any updated contracted rates that were paid between Jul. 1, 2021 and Dec. 31, 2021 in Medicaid.

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<sup>2</sup> <https://civhc.org/provider-tool/>

<sup>3</sup> Average is defined as the sum of the values divided by the number of values. This includes all values in the data set.

<sup>4</sup> Median is defined as the middle value of all values lined from lowest to highest. The median has the effect of removing values at the extreme ends of the scale.

*Table 1: Average Commercial and Medicaid Independent Network Provider Cost, by Procedure Code*

Procedure Code	Description	Commercial Average	Medicaid IPN Average	Medicaid Percentage of Commercial
90791	Psychiatric Diagnostic Evaluation	\$118.00	\$110.58	93.7%
90832	Psychotherapy - 30 minutes	\$57.00	\$56.46	99.0%
90834	Psychotherapy - 45 minutes	\$76.00	\$67.46	88.8%
90837	Psychotherapy - 60 minutes	\$103.00	\$91.24	88.6%
90839	Psychotherapy - Crisis	\$113.00	\$94.73	83.8%
90846	Family Psychotherapy without patient	\$81.00	\$76.44	94.4%
90847	Family Psychotherapy with patient	\$84.00	\$74.06	88.2%
90849	Multiple Family Group Psychotherapy	\$55.00	\$56.62	102.9%
90853	Group Psychotherapy	\$41.00	\$37.90	92.4%

Table 1 above documents the average rates of pay for the nine behavioral health procedure codes used in the Behavioral Health Provider Rate Reimbursement Report for both commercial and Medicaid IPN providers. Column labeled “Medicaid

Percentage of Commercial” shows IPN rates represented as the percentage of commercial rates paid.

*Table 2: Median Commercial and Medicaid Independent Network Provider Cost, by Procedure Code*

Procedure Code	Description	Commercial Median	Medicaid IPN Median	Medicaid Percentage of Commercial
90791	Psychiatric Diagnostic Evaluation	\$107.00	\$90.78	84.8%
90832	Psychotherapy - 30 minutes	\$51.00	\$45.17	88.6%
90834	Psychotherapy - 45 minutes	\$69.00	\$61.20	88.7%
90837	Psychotherapy - 60 minutes	\$95.00	\$89.16	93.9%
90839	Psychotherapy - Crisis	\$109.00	\$93.00	85.3%
90846	Family Psychotherapy without patient	\$78.00	\$65.00	83.3%
90847	Family Psychotherapy with patient	\$81.00	\$64.40	79.5%
90849	Multiple Family Group Psychotherapy	\$40.00	\$46.94	117.4%
90853	Group Psychotherapy	\$40.00	\$29.00	72.5%

Table 2 above documents the median rates of pay for the nine behavioral health procedure codes used in the Behavioral Health Provider Rate Reimbursement Report for both commercial and Medicaid IPN providers. Column labeled “Medicaid Percentage of Commercial” shows IPN rates represented as the percentage of commercial rates paid.

HCPF will continue to work with the Division of Insurance (DOI) on further analysis of behavioral health reimbursement rates within the Medicaid and commercial market.

### **Compare SUD rates to commercial insurers**

Rate information is not currently available. HCPF will continue working with DOI to complete analyses on rates for SUD services.

### **Post action plan and cost reports**

HCPF received and posted the audited cost reports for current safety net providers on March 15, 2023. The updated cost report structure and auditing and accounting guidelines are publicly posted and available now. Those cost reports will be due to HCPF on Nov. 15, 2023 and will be audited and posted by March 15, 2024. The information from the cost reports will be incorporated into the reimbursement rates effective July 1, 2024.

- Audited cost reports were posted to the public website by March 15, 2023, in accordance with HB 22-1268<sup>5</sup>.
- New audited cost reports will be posted to the public website by March 15, 2024.

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<sup>5</sup> [https://leg.colorado.gov/sites/default/files/2022a\\_1268\\_signed.pdf](https://leg.colorado.gov/sites/default/files/2022a_1268_signed.pdf)