**COLORADO**
**Colorado Healthcare Affordability & Sustainability Enterprise**

Colorado Healthcare Affordability and Sustainability Enterprise
1570 Grant Street
Denver, CO 80203

January 15, 2018

Governor John W. Hickenlooper
136 State Capitol
Denver, CO 80203-1792

Dear Governor Hickenlooper:

Enclosed please find a legislative report to the Governor from the Department of Health Care Policy and Financing and the Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) Board on the Colorado Health Care Affordability and Sustainability Enterprise Act of 2017.

*Section 25.5-4-402.4(e) states that on or before January 15, 2018, the enterprise board shall submit a written report to the health and human services committee of the senate and the public health care and human services committee of the house of representatives, or any successor committees, the joint budget committee of the general assembly, the governor, and the state board. The report shall include, but need not be limited to: the recommendations made to the state board; a description of the formula for how the healthcare affordability and sustainability fee is calculated; an itemization of the total amount of fee paid by each hospital and any projected revenue that each hospital is expected to receive; an itemization of the costs incurred by the enterprise; estimates of the differences between the cost of care provided and the payment received by hospitals on a per-patient basis, aggregated for all hospitals, for patients covered by Medicaid; Medicare; and all other payers; and a summary of the efforts made by the enterprise seek any federal waiver necessary to fund and support the implementation of a health care delivery system reform incentive payments program.*

If you require further information or have additional questions, please contact the Department's Legislative Liaison, Zach Lynkiewicz, at Zach.Lynkiewicz@state.co.us or 720-854-9882.

Sincerely,

Kim Bimestefer
Executive Director

Shepard Nevel
Chair, Colorado Healthcare Affordability and Sustainability Enterprise Board

KB/nad

Enclosure(s): Colorado Health Care Affordability and Sustainability Enterprise Act Annual Report

Cc: Kyle M. Brown, Senior Health Policy Advisor, Governor's Office
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Dr. Judy Zerzan, Client and Clinical Care Office Director, HCPF
Chris Underwood, Health Information Office Director, HCPF
Tom Massey, Policy, Communications, and Administration Office Director, HCPF
Rachel Reiter, External Relations Division Director, HCPF
Zach Lynkiewicz, Legislative Liaison, HCPF

**COLORADO**
Colorado Healthcare Affordability
& Sustainability Enterprise

Colorado Healthcare Affordability and Sustainability Enterprise
1570 Grant Street
Denver, CO 80203

January 15, 2018

The Honorable Millie Hamner, Chair
Joint Budget Committee
200 E. Colfax Avenue
Denver, CO 80203

Dear Representative Hamner:

Enclosed please find a legislative report to the Governor from the Department of Health Care Policy and Financing and the Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) Board on the Colorado Health Care Affordability and Sustainability Enterprise Act of 2017.

*Section 25.5-4-402.4(e) states that on or before January 15, 2018, the enterprise board shall submit a written report to the health and human services committee of the senate and the public health care and human services committee of the house of representatives, or any successor committees, the joint budget committee of the general assembly, the governor, and the state board. The report shall include, but need not be limited to: the recommendations made to the state board; a description of the formula for how the healthcare affordability and sustainability fee is calculated; an itemization of the total amount of fee paid by each hospital and any projected revenue that each hospital is expected to receive; an itemization of the costs incurred by the enterprise; estimates of the differences between the cost of care provided and the payment received by hospitals on a per-patient basis, aggregated for all hospitals, for patients covered by Medicaid; Medicare; and all other payers; and a summary of the efforts made by the enterprise seek any federal waiver necessary to fund and support the implementation of a health care delivery system reform incentive payments program.*

If you require further information or have additional questions, please contact the Department's Legislative Liaison, Zach Lynkiewicz, at Zach.Lynkiewicz@state.co.us or 720-854-9882.

Sincerely,

Kim Bimestefer
Executive Director

Shepard Nevel
Chair, Colorado Healthcare Affordability and Sustainability Enterprise Board

KB/nad

Enclosure(s): Colorado Health Care Affordability and Sustainability Enterprise Act Annual Report

Cc: Senator Kent Lambert, Vice-chair, Joint Budget Committee
Representative Bob Rankin, Joint Budget Committee
Representative Dave Young, Joint Budget Committee
Senator Kevin Lundberg, Joint Budget Committee
Senator Dominick Moreno, Joint Budget Committee
John Ziegler, Staff Director, JBC
Eric Kurtz, JBC Analyst
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Bettina Schneider, Budget Analyst, Office of State Planning and Budgeting
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Zach Lynkiewicz, Legislative Liaison, HCPF

COLORADO
Colorado Healthcare Affordability
& Sustainability Enterprise

Colorado Healthcare Affordability and Sustainability Enterprise
1570 Grant Street
Denver, CO 80203

January 15, 2018

The Honorable Jim Smallwood, Chair
Health and Human Services Committee
200 E. Colfax Avenue
Denver, CO 80203

Dear Representative Smallwood:

Enclosed please find a legislative report to the Governor from the Department of Health Care Policy and Financing and the Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) Board on the Colorado Health Care Affordability and Sustainability Enterprise Act of 2017.

*Section 25.5-4-402.4(e) states that on or before January 15, 2018, the enterprise board shall submit a written report to the health and human services committee of the senate and the public health care and human services committee of the house of representatives, or any successor committees, the joint budget committee of the general assembly, the governor, and the state board. The report shall include, but need not be limited to: the recommendations made to the state board; a description of the formula for how the healthcare affordability and sustainability fee is calculated; an itemization of the total amount of fee paid by each hospital and any projected revenue that each hospital is expected to receive; an itemization of the costs incurred by the enterprise; estimates of the differences between the cost of care provided and the payment received by hospitals on a per-patient basis, aggregated for all hospitals, for patients covered by Medicaid; Medicare; and all other payers; and a summary of the efforts made by the enterprise seek any federal waiver necessary to fund and support the implementation of a health care delivery system reform incentive payments program.*

If you require further information or have additional questions, please contact the Department's Legislative Liaison, Zach Lynkiewicz, at Zach.Lynkiewicz@state.co.us or 720-854-9882.

Sincerely,

Kim Bimestefer
Executive Director

Shepard Nevel
Chair, Colorado Healthcare Affordability and Sustainability Enterprise Board

KB/nad

Enclosure(s): Colorado Health Care Affordability and Sustainability Enterprise Act Annual Report

Cc: Senator Beth Martinez Humenik, Vice-Chair, Health and Human Services Committee
Senator Irene Aguilar, Health and Human Services Committee
Senator Larry Crowder, Health and Human Services Committee
Senator John Kefalas, Health and Human Services Committee
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Tom Massey, Policy, Communications, and Administration Office Director, HCPF
Rachel Reiter, External Relations Division Director, HCPF
Zach Lynkiewicz, Legislative Liaison, HCPF

**COLORADO**
**Colorado Healthcare Affordability & Sustainability Enterprise**

Colorado Healthcare Affordability and Sustainability Enterprise
1570 Grant Street
Denver, CO 80203

January 15, 2018

The Honorable Joann Ginal, Chair
Health, Insurance, and Environment Committee
200 E. Colfax Avenue
Denver, CO 80203

Dear Representative Ginal:

Enclosed please find a legislative report to the Governor from the Department of Health Care Policy and Financing and the Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) Board on the Colorado Health Care Affordability and Sustainability Enterprise Act of 2017.

*Section 25.5-4-402.4(e) states that on or before January 15, 2018, the enterprise board shall submit a written report to the health and human services committee of the senate and the public health care and human services committee of the house of representatives, or any successor committees, the joint budget committee of the general assembly, the governor, and the state board. The report shall include, but need not be limited to: the recommendations made to the state board; a description of the formula for how the healthcare affordability and sustainability fee is calculated; an itemization of the total amount of fee paid by each hospital and any projected revenue that each hospital is expected to receive; an itemization of the costs incurred by the enterprise; estimates of the differences between the cost of care provided and the payment received by hospitals on a per-patient basis, aggregated for all hospitals, for patients covered by Medicaid; Medicare; and all other payers; and a summary of the efforts made by the enterprise seek any federal waiver necessary to fund and support the implementation of a health care delivery system reform incentive payments program.*

If you require further information or have additional questions, please contact the Department's Legislative Liaison, Zach Lynkiewicz, at Zach.Lynkiewicz@state.co.us or 720-854-9882.

Sincerely,

Kim Bimestefer
Executive Director

Shepard Nevel
Chair, Colorado Healthcare Affordability and Sustainability Enterprise Board

BM/nad

Enclosure(s): Colorado Health Care Affordability and Sustainability Enterprise Act Annual Report

Cc: Representative Daneya Esgar, Vice Chair, Health, Insurance and Environment Committee
Representative Susan Beckman, Health, Insurance and Environment Committee
Representative Janet Buckner, Health, Insurance and Environment Committee
Representative Phil Covarrubias, Health, Insurance and Environment Committee
Representative Steve Humphrey, Health, Insurance and Environment Committee
Representative Dominique Jackson, Health, Insurance and Environment Committee
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Rachel Reiter, External Relations Division Director, HCPF
Zach Lynkiewicz, Legislative Liaison, HCPF

**COLORADO**
**Colorado Healthcare Affordability & Sustainability Enterprise**

Colorado Healthcare Affordability and Sustainability Enterprise
1570 Grant Street
Denver, CO 80203

January 15, 2018

The Honorable Jonathan Singer, Chair
Public Health Care and Human Services Committee
200 E. Colfax Avenue
Denver, CO 80203

Dear Representative Singer:

Enclosed please find a legislative report to the Governor from the Department of Health Care Policy and Financing and the Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) Board on the Colorado Health Care Affordability and Sustainability Enterprise Act of 2017.

*Section 25.5-4-402.4(e) states that on or before January 15, 2018, the enterprise board shall submit a written report to the health and human services committee of the senate and the public health care and human services committee of the house of representatives, or any successor committees, the joint budget committee of the general assembly, the governor, and the state board. The report shall include, but need not be limited to: the recommendations made to the state board; a description of the formula for how the healthcare affordability and sustainability fee is calculated; an itemization of the total amount of fee paid by each hospital and any projected revenue that each hospital is expected to receive; an itemization of the costs incurred by the enterprise; estimates of the differences between the cost of care provided and the payment received by hospitals on a per-patient basis, aggregated for all hospitals, for patients covered by Medicaid; Medicare; and all other payers; and a summary of the efforts made by the enterprise seek any federal waiver necessary to fund and support the implementation of a health care delivery system reform incentive payments program.*

If you require further information or have additional questions, please contact the Department's Legislative Liaison, Zach Lynkiewicz, at Zach.Lynkiewicz@state.co.us or 720-854-9882.

Sincerely,

Kim Bimestefer
Executive Director

Shepard Nevel
Chair, Colorado Healthcare Affordability and Sustainability Enterprise Board

KB/nad

Enclosure(s): Colorado Health Care Affordability and Sustainability Enterprise Act Annual Report

Cc: Representative Jessie Danielson, Vice-Chair, Public Health Care and Human Services Committee
Representative Don Coram, Public Health Care and Human Services Committee
Representative Justin Everett, Public Health Care and Human Services Committee
Representative Joann Ginal, Public Health Care and Human Services Committee
Representative Edie Hooton, Public Health Care and Human Services Committee
Representative Lois Landgraf, Public Health Care and Human Services Committee
Representative Kimmi Lewis, Public Health Care and Human Services Committee
Representative Larry Liston, Public Health Care and Human Services Committee
Representative Dafna Michaelson Jenet, Public Health Care and Human Services Committee
Representative Dan Pabon, Public Health Care and Human Services Committee
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Rachel Reiter, External Relations Division Director, HCPF
Zach Lynkiewicz, Legislative Liaison, HCPF

**COLORADO**
**Colorado Healthcare Affordability & Sustainability Enterprise**

Colorado Healthcare Affordability and Sustainability Enterprise
1570 Grant Street
Denver, CO 80203

January 15, 2018

Christy Blakely
President, Medical Services Board
Department of Health Care Policy and Financing
1570 Grant Street
Denver, CO 80203

Dear Ms. Blakely:

Enclosed please find a legislative report to the Governor from the Department of Health Care Policy and Financing and the Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) Board on the Colorado Health Care Affordability and Sustainability Enterprise Act of 2017.

*Section 25.5-4-402.4(e) states that on or before January 15, 2018, the enterprise board shall submit a written report to the health and human services committee of the senate and the public health care and human services committee of the house of representatives, or any successor committees, the joint budget committee of the general assembly, the governor, and the state board. The report shall include, but need not be limited to: the recommendations made to the state board; a description of the formula for how the healthcare affordability and sustainability fee is calculated; an itemization of the total amount of fee paid by each hospital and any projected revenue that each hospital is expected to receive; an itemization of the costs incurred by the enterprise; estimates of the differences between the cost of care provided and the payment received by hospitals on a per-patient basis, aggregated for all hospitals, for patients covered by Medicaid; Medicare; and all other payers; and a summary of the efforts made by the enterprise seek any federal waiver necessary to fund and support the implementation of a health care delivery system reform incentive payments program.*

If you require further information or have additional questions, please contact the Department's Legislative Liaison, Zach Lynkiewicz, at Zach.Lynkiewicz@state.co.us or 720-854-9882.

Sincerely,

Kim Bimestefer
Executive Director

Shepard Nevel
Chair, Colorado Healthcare Affordability and Sustainability Enterprise Board

KB/nad

Enclosure(s): Colorado Health Care Affordability and Sustainability Enterprise Act Annual Report

Cc: Amanda Moorer, Vice President, Medical Services Board
Cecile Fraley, MD, Medical Services Board
Patricia Givens, Medical Services Board
Simon Hambidge, MD, Medical Services Board
Bregitta Hughes, Medical Services Board
Jessica Kuhns, Medical Services Board
Charolette Lippolis, DO, Medical Services Board
An Nguyen, DDS, Medical Services Board
David Potts, Medical Services Board
Donna Roberts, RN, BSN, DTR, BA, Medical Services Board
Chris Sykes, Medical Services Board Coordinator
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Rachel Reiter, External Relations Division Director, HCPF
Zach Lynkiewicz, Legislative Liaison, HCPF

# Colorado Healthcare Affordability & Sustainability Enterprise Annual Report

**January 15, 2018**

COLORADO
Colorado Healthcare Affordability
& Sustainability Enterprise

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## APPENDIX A: Colorado Health Care Affordability Act


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# I. Colorado Healthcare Affordability and Sustainability Enterprise Overview

This legislative report is presented by the Department of Health Care Policy and Financing (the Department) and the Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) Board regarding the Colorado Healthcare Affordability and Sustainability Enterprise Act of 2017.

On May 30, 2017, the governor signed Senate Bill 17-267, Concerning the Sustainability of Rural Colorado, into law. This action repealed the Colorado Health Care Affordability Act (CHCAA) at Section 25.5-4-402.3, C.R.S. effective June 30, 2017 and created the CHASE at Section 25.5-4-402.4, C.R.S. effective July 1, 2017.

CHASE is a government-owned business that operates within the Department for the purpose of charging and collecting the healthcare affordability and sustainability fee to obtain federal matching funds to provide business services to hospitals by:

- Increasing hospital reimbursement for care provided to Health First Colorado (Colorado's Medicaid program) members and Coloradans eligible for discounted health care services through the Colorado Indigent Care Program (CICP)
- Funding hospital quality incentive payments
- Increasing the number of individuals eligible for Health First Colorado and the Child Health Plan *Plus* (CHP+)
- Paying the administrative costs of the CHASE, limited to 3% of its expenditures
- Providing or arranging for additional business services to hospitals by:
    - Consulting with hospitals to help them improve both cost efficiency and patient safety in providing medical services and the clinical effectiveness of those services
    - Advising hospitals regarding potential changes to federal and state laws and regulations that govern Health First Colorado and CHP+
    - Providing coordinated services to hospitals to help them adapt and transition to any new or modified performance tracking and payment system for Health First Colorado and CHP+
    - Providing any other services to hospitals that aid them in efficiently and effectively participating in Health First Colorado and CHP+
    - Providing funding for a health care delivery system reform incentive payments program

**CHASE Annual Report**

Pursuant Section 25.5-4-402.4(7)(e), C.R.S., this report includes:

- The recommendations made by the CHASE Board to the Medical Services Board regarding the healthcare affordability and sustainability fee
- A description of the formula for how the healthcare affordability and sustainability fee is calculated and the process by which the fee is assessed and collected
- An itemization of the total amount of the healthcare affordability and sustainability fee paid by each hospital and any projected revenue received by each hospital, including quality incentive payments
- An itemization of the costs incurred by the CHASE in implementing and administering the healthcare affordability and sustainability fee
- Estimates of the differences between the cost of care provided and the payment received by hospitals on a per-patient basis, aggregated for all hospitals, for patients covered by Medicaid, Medicare, and all other payers
- A summary of the efforts made by the CHASE to seek any federal waiver necessary to fund and support the implementation of a health care delivery system reform incentive payments program

Because the CHASE was implemented on July 1, 2017, much of this information is not available at the time of publication. Information for the first full year of the CHASE will be reported in the next annual report on January 15, 2019.

For historic reference purposes, information for the 2016-17 time period under the CHCAA is provided in Appendix A. For comparison's sake with prior CHCAA annual reports, Appendix A reports twelve full months of fees and payments, including fees and payments under the CHCAA from October 1, 2016 through June 30, 2017 and under CHASE from July 1, 2017 through September 30, 2017.

## II. Healthcare Affordability and Sustainability Fee

- *The recommendations made by the CHASE Board to the Medical Services Board regarding the healthcare affordability and sustainability fee*

- *A description of the formula for how the healthcare affordability and sustainability fee is calculated and the process by which the healthcare affordability and sustainability fee is assessed and collected*

- *An itemization of the total amount of the healthcare affordability and sustainability fee paid by each hospital and any projected revenue received by each hospital, including quality incentive payments*

A thirteen-member CHASE Board appointed by the governor provides oversight and makes recommendations to the Medical Services Board regarding the healthcare affordability and sustainability fee. Information about the CHASE Board and its meetings is available at https://www.colorado.gov/pacific/hcpf/colorado-healthcare-affordability-and-sustainability-enterprise-chase-board.

Current CHASE Board members, listed by term expiration date, are noted below:

For terms expiring May 15, 2019:

- Peg Burnette of Denver, representing a hospital
- William Heller of Denver, representing the Department
- Kimberly Monjesky of Woodland Park, representing a rural hospital
- Thomas Rennell of Castle Rock, representing a health insurance organization

For terms expiring May 15, 2020:

- Dan Enderson of Castle Rock, representing a hospital
- George O'Brien of Pueblo, representing persons with disabilities

For terms expiring May 15, 2021:

- Kathryn Ashenfelter of Denver, representing a hospital
- Dr. Lesley Clark Brooks of Greeley, representing the health care industry
- Matthew Colussi of Aurora, representing the Department
- Allison Neswood of Denver, representing a consumer of health care
- Shepard Nevel of Denver, representing a business that purchases health insurance, to serve as chair
- Dan Rieber of Castle Rock, representing a safety-net hospital
- Ryan Westrom of Aurora, representing a statewide hospital organization

The CHASE Board recommended that the healthcare affordability and sustainability fee for the July through September 2017 quarter be assessed at the same rate that the Hospital Provider Fee Oversight and Advisory Board (OAB) recommended if the CHCAA had continued. The CHASE Board also recommended that payments for hospital care for Health First Colorado and CICP members and hospital quality incentive payments under CHASE be made at the same rate as the payments the OAB recommended if the CHCAA had continued.

Fees are collected and resulting hospital payments, including quality incentive payments, are made monthly by electronic funds transfer.

The Medical Services Board, with the recommendation of the CHASE Board, promulgates rules related to the healthcare affordability and sustainability fee, including the calculation, assessment, and timing of the fee, the reports that hospitals will be required to report to the CHASE, and other rules necessary to implement the healthcare affordability and sustainability fee. The Medical Services Board adopted emergency rules to implement the healthcare affordability and sustainability fee at its July 2017 meeting, which can be found at 10 CCR 2505-10, Section 8.3000.

The healthcare affordability and sustainability fee funds health care coverage expansion for individuals eligible for Health First Colorado and CHP+. The total caseload of the expansion populations reported as of September 30, 2017 was 501,500 and represents the following categories:

- 93,000 Health First Colorado parents from 61% to 133% of the federal poverty level (FPL)
- 25,000 CHP+ children and pregnant women from 206% to 250% of the FPL
- 7,500 Health First Colorado working adults up to 450% of the FPL and children with disabilities up to 300% of the FPL
- 376,000 Health First Colorado adults without dependent children up to 133% of the FPL

## III. Administrative Expenditures

- *An itemization of the costs incurred by the enterprise in implementing and administering the healthcare affordability and sustainability fee*

Administrative expenditures for State Fiscal Year (SFY) 2017-18 for the CHASE will be available and reported in the next annual report on January 15, 2019.

For reference, see Appendix A for hospital provider fee program administrative expenditures for SFY 2016-17 under the CHCAA.

## IV. Cost Shift

- *Estimates of the differences between the cost of care provided and the payment received by hospitals on a per-patient basis, aggregated for all hospitals, for patients covered by Medicaid, Medicare, and all other payers*

Based on the cost shift data reported under the CHCAA, the CHASE Board is exploring additional data sources and information to more fully understand the impact of the healthcare affordability and sustainability fee on cost shifting to private payers and to increase transparency about the impact of the fee on the health care marketplace.

Information about the differences for the cost of care provided by Medicare, Medicaid, and other payers (i.e., cost shift) through calendar year 2017 will be available and reported in the next annual report on January 15, 2019. See Appendix A for cost shift data through calendar year 2016 collected under the CHCAA.

## V. Delivery System Reform Incentive Payment Program

- *A summary of the efforts made by CHASE to seek any federal waiver necessary to fund and support the implementation of a health care delivery system reform incentive payments program*

Pursuant to 25.5-4-402.4 (8), C.R.S. the CHASE acting in concert with the Department will seek a federal waiver to fund and support the implementation of a health care delivery system reform incentive payments program to improve health care access and outcomes for persons served by the Department no earlier than October 2019.

The planned delivery system reform incentive payments program is referred to as the Hospital Transformation Program. The Hospital Transformation Program envisions transforming care across care coordination and transitions, complex care management for targeted populations, behavioral health and substance use disorder coordination, and perinatal care and improved birth outcomes while recognizing and addressing social determinants of health and reducing total cost of care.

The program goals of the Hospital Transformation Program are as follows:

- Improve patient outcomes through redesign and integration of care across settings
- Improve the patient experience in the delivery system by ensuring appropriate care in appropriate settings
- Lower Health First Colorado costs through reductions in avoidable hospital utilization and increased effectiveness and efficiency in care delivery
- Accelerate hospitals' organizational, operational, and system readiness for value-based payment
- Increase collaboration between hospitals and other providers, particularly Accountable Care Collaborative (ACC) participants
- Add value to the system through an evidence-based and quality measure-driven approach

The Department is committed to working in collaboration with hospitals to ensure that the goals and priorities of the Hospital Transformation Program are achievable and can be implemented effectively within required timeframes. Hospitals will be required to engage meaningfully with community and health neighborhood partners to build partnerships, discuss needs and opportunities in the community, and report on activities and findings.

The Department has begun the stakeholder engagement process, which includes convening workgroups with the Colorado Hospital Association (CHA) and hospitals, as well as targeted and regular engagement with Department subject matter experts, Regional Collaborative Care Organizations (RCCOs), health alliances and other provider organizations, and other community organizations such as community health centers, community mental health centers, and public health agencies.

## APPENDIX A: Colorado Health Care Affordability Act

### I. Colorado Health Care Affordability Act 2016-17 Overview

The Colorado Health Care Affordability Act (CHCAA) was repealed effective June 30, 2017 with the enactment of Senate Bill 17-267. The CHCAA benefited Colorado by providing additional federal matching funds in the state without additional General Fund expenditure. Fees assessed on hospital providers with federal matching funds allowed Colorado to:

- Increase hospital reimbursement for care provided to Health First Colorado and Colorado Indigent Care Program (CICP) members
- Increase the number of insured Coloradans
- Improve the quality of health care for Health First Colorado members
- Reduce the need to shift the cost of uncompensated care to other payers

Figures in this appendix are reported on an October 2016 through September 2017 basis unless otherwise noted.[1]

### II. Increase Hospital Reimbursement for Care Provided to Health First Colorado and CICP Members

In the October 2016 through September 2017 period, payments to hospitals financed with hospital provider fees and healthcare affordability and sustainability fees totaled more than $1.17 billion, including $90 million in quality incentive payments as reflected in the table below. Note: CICP participating hospitals are eligible to receive Disproportionate Share Hospital (DSH) payments while all hospitals are eligible for an uncompensated care payment.

**2016-17 Hospital Supplemental Payments**

| | |
|---|---:|
| Inpatient Hospital Payment | $435,152,000 |
| Outpatient Hospital Payment | $322,924,000 |
| Uncompensated Care Payment | $115,480,000 |
| Disproportionate Share Hospital Payment | $202,784,000 |
| Hospital Quality Incentive Payment | $89,670,000 |
| **Total Hospital Supplemental Payments** | **$1,166,010,000** |

**Table 1**

[1] For comparison's sake with prior CHCAA annual reports, this appendix reports twelve full months of fees and payments, including fees and payments under the CHCAA from October 1, 2016 through June 30, 2017 and under CHASE from July 1, 2017 through September 30, 2017.

After taking into account the hospital provider fees and healthcare affordability and sustainability fees collected for health coverage expansions, the Department's administrative expenses, and the CICP hospital reimbursement level prior to increased payments under CHCAA, the net reimbursement increase to hospitals for care provided to Medicaid and uninsured patients and quality incentive payments was approximately $221 million for the 2016-17 time-period.

**2016-17 Net Reimbursement Increase to Hospitals**

| | |
|---|---|
| Total Hospital Supplemental Payments | $1,166,010,000 |
| Total Fees | ($782,312,000) |
| Approximate CICP payments pre-CHCAA | ($162,876,000) |
| **Net Reimbursement Increase to Hospitals** | **$220,822,000** |

**Table 2**

## III. Improve the Quality of Health Care for Health First Colorado Members

The CHCAA included a provision to establish Hospital Quality Incentive Payments (HQIP) funded by hospital provider fees to improve the quality of care provided in Colorado hospitals. At the request of the OAB, a HQIP subcommittee was formed to develop a thorough proposal for quality incentive payments.

The HQIP subcommittee sought to:

- Adopt measures that can be prospectively set to allow time for planning and successful implementation
- Identify measures and methodologies that apply to care provided to Health First Colorado members
- Adhere to Value-Based Purchasing (VBP) principles
- Maximize participation in Health First Colorado
- Minimize the number of hospitals which would not qualify for selected measures

The HQIP subcommittee recommended some HQIP measures be moved to maintenance status and recommended the addition of new measures. Maintenance measures are those where hospitals have shown improvement or reached attainment of an established goal. Data for maintenance measures is gathered, but HQIP payments are no longer tied to them. In this way, the HQIP program evolves to incorporate measures where performance improvement is desired.

Table 3 shows historical results for three measures that have been moved to maintenance status: Central Line Associated Blood Stream Infection (CLABSI), Postoperative Pulmonary Embolism/Deep Vein Thrombosis (PPE/DVT), and Early Elective Deliveries.

**Hospital Quality Incentive Payment Maintenance Measures**

| Measures | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|
| CLABSI | 0.9% | 0.9% | 0.8% | 0.8% | 0.8% | 1.0% |
| PPE/DVT[2] | 441 | 552 | 478 | 480 | 432 | - |
| Early Elective Deliveries[3] | 6.81% | 1.52% | 2.24% | 2.39% | 1.67% | 1.83% |

**Table 3**

[2] Number per 100,000 patients. Due to the change to ICD-10 codes and the associated lack of risk adjustment methodology, comparative PPE/DVT data was not available for the 2017 HQIP year.

[3] Patients with elective vaginal deliveries or elective cesarean sections at >=37 and < 39 weeks of gestation completed.

## Measures and Payments

For the year beginning October 1, 2016, the HQIP subcommittee recommended and the OAB approved the following base and optional measures for HQIP payments. If a base measure does not apply to a hospital, the hospital may substitute an optional measure. Optional measures must be selected in the order listed. Both base and optional measures are scored out of ten possible points.

### Base Measures

1. Emergency department process
2. Rate of Cesarean section deliveries for nulliparous women with a term, singleton baby in a vertex position
3. Rate of thirty-day all-cause hospital readmissions
4. Percentage of patients who gave the hospital an overall rating of "9" or "10" on the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) Survey
5. Culture of Safety

### Optional Measures

1. Active participation in a Regional Care Collaborative Organization (RCCO)
2. Advance care planning
3. Screening and intervention for tobacco use

### Points Awarded

Each hospital is normally scored on five measures. Each measure has a maximum award of 10 points for 50 total possible points.

### Payment Calculation

The HQIP payments earned for each of the 2016-17 measures are based on points per Medicaid adjusted discharge. Medicaid adjusted discharges are calculated by multiplying total Medicaid discharges by an adjustment factor. The adjustment factor is calculated by dividing total Medicaid gross charges by Medicaid inpatient service charges and multiplying the result by the total Medicaid discharges. The adjustment factor is limited to 5.0. For purposes of calculating Medicaid adjusted discharges, if a hospital had less than 200 Medicaid discharges, those discharges are multiplied by 125% before the adjustment factor is applied.

Each hospital's HQIP payment is calculated as quality points awarded multiplied by Medicaid adjusted discharges multiplied by dollars per adjusted discharge point.

Dollars per adjusted discharge point are tiered so that hospitals with more quality points awarded receive a greater per-adjusted discharge point reimbursement. The dollars per adjusted discharge point for the five tiers are shown in the table below:

**2016-17 HQIP Dollars Per-Adjusted Discharge Point**

| Tier | Quality Points Awarded | Dollars Per-Adjusted Discharge Point |
|---|---|---|
| 1 | 1-10 | $5.95 |
| 2 | 11-20 | $8.93 |
| 3 | 21-30 | $11.90 |
| 4 | 31-40 | $14.88 |
| 5 | 41-50 | $17.85 |

**Table 4**

During the 2016-17 timeframe, HQIP payments totaled $89.7 million with 85 hospitals receiving payments. HQIP payments, Medicaid adjusted discharges, and quality points awarded by hospital are listed in the following table.

**2016-17 Hospital Quality Incentive Payments[4]**

| Hospital Name | County | Quality Points Awarded | Medicaid Adjusted Discharges | HQIP Payment |
|---|---|---|---|---|
| Children's Hospital Colorado | Adams | 40 | 12,437 | $7,402,502 |
| HealthOne North Suburban Medical Center | Adams | 30 | 6,629 | $2,366,553 |
| HealthOne Spalding Rehabilitation Hospital | Adams | 15 | 98 | $13,127 |
| Kindred Hospital Aurora | Adams | 13 | 103 | $11,957 |
| Platte Valley Medical Center | Adams | 40 | 2,867 | $1,706,438 |
| University of Colorado Hospital | Adams | 33 | 14,150 | $6,948,216 |
| Vibra Hospital | Adams | 14 | 13 | $1,625 |
| San Luis Valley Regional Medical Center | Alamosa | 35 | 2,284 | $1,189,507 |
| Centura Health - Littleton Adventist Hospital | Arapahoe | 30 | 1,808 | $645,456 |
| Craig Hospital | Arapahoe | 48 | 64 | $54,835 |
| HealthOne Medical Center of Aurora | Arapahoe | 30 | 6,744 | $2,407,608 |
| HealthOne Swedish Medical Center | Arapahoe | 23 | 5,971 | $1,634,263 |
| HealthSouth Rehabilitation Hospital of Littleton | Arapahoe | 40 | 259 | $154,157 |
| Pagosa Mountain Hospital | Archuleta | 30 | 425 | $151,725 |
| Southeast Colorado Hospital District | Baca | 44 | 119 | $93,463 |
| Boulder Community Health | Boulder | 19 | 2,141 | $363,263 |
| Centura Health - Avista Adventist Hospital | Boulder | 40 | 2,071 | $1,232,659 |
| Centura Health - Longmont United Hospital | Boulder | 36 | 2,851 | $1,527,224 |
| Good Samaritan Medical Center | Boulder | 35 | 2,484 | $1,293,667 |
| Centura Health - St. Anthony North Health Campus | Broomfield | 32 | 4,168 | $1,984,635 |

[4] The HQIP measures are specific to the hospital provider fee program and are not intended to be a full hospital report card.

| Hospital Name | County | Quality Points Awarded | Medicaid Adjusted Discharges | HQIP Payment |
|---|---|---|---|---|
| Heart of the Rockies Regional Medical Center | Chaffee | 33 | 994 | $488,094 |
| Keefe Memorial Health Service District | Cheyenne | 35 | 6 | $3,125 |
| San Luis Valley Health Conejos County Hospital | Conejos | 30 | 144 | $51,408 |
| Delta County Memorial Hospital | Delta | 16 | 1,481 | $211,605 |
| Centura Health - Porter Adventist Hospital | Denver | 37 | 1,865 | $1,026,794 |
| Colorado Acute Long Term Hospital | Denver | 4 | 56 | $1,333 |
| Denver Health | Denver | 27 | 14,357 | $4,612,904 |
| HealthOne Presbyterian/St. Luke's Medical Center | Denver | 26 | 3,858 | $1,193,665 |
| HealthOne Rose Medical Center | Denver | 27 | 4,101 | $1,317,651 |
| National Jewish Health | Denver | 46 | 206 | $169,147 |
| Saint Joseph Hospital | Denver | 31 | 5,578 | $2,573,020 |
| Centura Health - Castle Rock Adventist Hospital | Douglas | 40 | 894 | $532,109 |
| Centura Health - Parker Adventist Hospital | Douglas | 30 | 2,245 | $801,465 |
| HealthOne Sky Ridge Medical Center | Douglas | 20 | 1,897 | $338,804 |
| Vail Valley Medical Center | Eagle | 40 | 722 | $429,734 |
| Centura Health - Penrose -St. Francis Health Services | El Paso | 44 | 8,673 | $6,811,774 |
| HealthSouth Rehabilitation Hospital - Colorado Springs | El Paso | 27 | 281 | $90,285 |
| Memorial Hospital | El Paso | 30 | 16,716 | $5,967,612 |
| Centura Health - St. Thomas More Hospital | Fremont | 26 | 1,556 | $481,426 |
| Grand River Hospital District | Garfield | 15 | 300 | $40,185 |
| Valley View Hospital | Garfield | 44 | 1,022 | $802,679 |
| Middle Park Medical Center - Kremmling | Grand | 45 | 81 | $65,063 |
| Gunnison Valley Health | Gunnison | 33 | 315 | $154,678 |
| Spanish Peaks Regional Health Center | Huerfano | 41 | 119 | $87,090 |
| Centura Health - St. Anthony Hospital | Jefferson | 44 | 3,252 | $2,554,121 |
| Lutheran Medical Center | Jefferson | 33 | 6,697 | $3,288,495 |
| Weisbrod Memorial County Hospital | Kiowa | 15 | 19 | $2,545 |
| Kit Carson County Health Service District | Kit Carson | 7 | 341 | $14,203 |
| Animas Surgical Hospital | La Plata | 50 | 194 | $173,145 |
| Centura Health - Mercy Regional Medical Center | La Plata | 40 | 1,985 | $1,181,472 |
| St. Vincent General Hospital District | Lake | 13 | 13 | $1,509 |
| Banner Fort Collins Medical Center | Larimer | 30 | 519 | $185,283 |
| Estes Park Medical Center | Larimer | 36 | 419 | $224,450 |
| McKee Medical Center | Larimer | 30 | 3,114 | $1,111,698 |
| Medical Center of the Rockies | Larimer | 37 | 2,805 | $1,544,321 |
| Poudre Valley Hospital | Larimer | 37 | 6,003 | $3,305,012 |
| Mt. San Rafael Hospital | Las Animas | 11 | 625 | $61,394 |
| Lincoln Community Hospital | Lincoln | 11 | 38 | $3,733 |
| Sterling Regional Medical Center | Logan | 22 | 1,111 | $290,860 |
| Colorado Canyons Hospital and Medical Center | Mesa | 44 | 94 | $73,828 |
| Community Hospital | Mesa | 30 | 391 | $139,587 |
| St. Mary's Hospital and Medical Center | Mesa | 38 | 2,327 | $1,315,779 |
| The Memorial Hospital | Moffat | 21 | 646 | $161,435 |

| Hospital Name | County | Quality Points Awarded | Medicaid Adjusted Discharges | HQIP Payment |
|---|---|---|---|---|
| Southwest Health System | Montezuma | 26 | 1,235 | $382,109 |
| Montrose Memorial Hospital | Montrose | 32 | 1,076 | $512,348 |
| Colorado Plains Medical Center | Morgan | 32 | 1,412 | $672,338 |
| East Morgan County Hospital | Morgan | 44 | 338 | $265,465 |
| Arkansas Valley Regional Medical Center | Otero | 17 | 1,521 | $230,903 |
| Haxtun Hospital District | Phillips | 19 | 6 | $1,018 |
| Melissa Memorial Hospital | Phillips | 43 | 19 | $14,583 |
| Aspen Valley Hospital | Pitkin | 47 | 291 | $244,134 |
| Prowers Medical Center | Prowers | 37 | 1,128 | $621,032 |
| Centura Health - St. Mary-Corwin Medical Center | Pueblo | 37 | 4,886 | $2,690,036 |
| Parkview Medical Center | Pueblo | 36 | 8,947 | $4,792,729 |
| Pioneers Medical Center | Rio Blanco | 18 | 56 | $9,001 |
| Rangely District Hospital | Rio Blanco | 27 | 13 | $4,177 |
| Rio Grande Hospital | Rio Grande | 36 | 619 | $331,586 |
| Yampa Valley Medical Center | Routt | 38 | 596 | $337,002 |
| Sedgwick County Health Center | Sedgwick | 6 | 119 | $4,248 |
| Centura Health - St. Anthony Summit Medical Center | Summit | 47 | 732 | $614,111 |
| Pikes Peak Regional Hospital | Teller | 50 | 444 | $396,270 |
| North Colorado Medical Center | Weld | 26 | 7,367 | $2,279,350 |
| Northern Colorado Rehabilitation Hospital | Weld | 10 | 165 | $9,818 |
| Wray Community District Hospital | Yuma | 18 | 299 | $48,061 |
| Yuma District Hospital | Yuma | 47 | 169 | $141,783 |
| **Total** | | | | **$89,669,502** |

**Table 5**

## IV. Reduce the Need to Shift Costs of Uncompensated Care to Other Payers

The CHCAA was intended to reduce the need for hospitals to shift uncompensated care costs to private payers by increasing reimbursement to hospitals for inpatient and outpatient care provided for Health First Colorado and CICP members and reducing the number of uninsured Coloradans. Since its inception, the hospital provider fee increased hospital reimbursement an average of more than $200 million per year and substantially increased enrollment in Health First Colorado and CHP+. However, a positive impact on cost shifting to private payers is not apparent. Since the hospital provider fee was implemented, Medicaid reimbursement compared to cost improved by 32% and hospitals' bad debt/charity care write off costs decreased by 58%, yet payments in excess of costs by private payers increased by 6%. Determining the extent to which the hospitals reduced the cost shift requires additional data and analysis.

How hospitals use the provider fee proceeds can vary from hospital to hospital but generally fall into one or, most likely, a combination of the following categories:

- Lower the cost shift - The CHCAA was intended to reduce the need for hospitals to shift uncompensated and under-compensated care costs to private payers by increasing reimbursement to hospitals for inpatient and outpatient care provided for Health First Colorado and CICP members and by reducing the number of uninsured Coloradans. Publicly funded programs like Medicare and Medicaid and uninsured patients generally pay hospitals less than cost. To cover these shortfalls, commercially insured patients are charged more. The increase in reimbursement for Health First Colorado and CICP members and increased coverage of the uninsured funded by the hospital provider fee should reduce the need for hospitals to shift costs to commercially insured patients.

- Offset reductions in revenue from other payers - Reductions in revenue from other payers, particularly Medicare, can offset to some degree the positive impacts of the provider fee. Over time, Medicare hospital payments as a percentage of hospital costs have steadily declined which has exacerbated the cost shift.

  Changes in payer mix can also result in a reduction in revenue for hospitals. An increase in the number of patients covered by publicly funded programs coupled with a decrease in commercially insured patients will have a negative impact on hospital revenues thus reducing a hospital's ability to reduce the cost shift.

- Increase margin - It is possible that some of the benefits of the provider fee have been retained by the hospitals thus increasing a hospital's "bottom line."

- Increase Expenses - It is also possible that the hospitals may have retained some of the benefits of the provider fee to fund increased expenses.

## Evaluating the Impact of the Hospital Provider Fee

Since the inception of the provider fee program, the impact on the cost shift has been evaluated by trending the difference between hospital payments and costs for each of four major payer groups - Medicare, Medicaid, private insurance, and CICP/Self Pay/Other. CHA DATABANK[5] and survey data are used as the data source as information at this level of detail is not available from public sources. The trending starts with 2009 data as it shows payment to cost ratios prior to the implementation of the CHCAA, while changes due to the CHCAA are captured with data from 2010 and years that follow. The 2014 data is the first year of data that includes the expansion of Medicaid under the federal Affordable Care Act (ACA).

Payment less Cost per Patient by Payer Group

Table 6 displays the difference between total payments and total costs on a per patient basis for the Medicare, Medicaid, private sector insurance, and CICP/Self Pay/Other payer groups. Negative values indicate that costs exceed payments, while positive values indicate that payments exceed costs.

The data show that the under-compensation for the Medicaid and CICP/Self Pay/Other payer groups improved significantly following the implementation of the CHCAA. From 2009 to 2016, the payment shortfall improved by more than $570 per patient for Medicaid patients. For uninsured patients (i.e., CICP/Self Pay/Other), the payment below cost improved by more than $5,400 per patient.

**Payment Less Cost per Patient by Payer Group**

| | CY 2009 | CY 2010 | CY 2011 | CY 2012 | CY 2013 | CY 2014 | CY 2015 | CY 2016 |
|---|---|---|---|---|---|---|---|---|
| Medicare | ($2,853) | ($3,361) | ($3,097) | ($3,886) | ($5,318) | ($4,706) | ($4,648) | ($5,082) |
| Medicaid | ($4,480) | ($2,586) | ($2,488) | ($2,465) | ($2,418) | ($3,665) | ($3,252) | ($3,910) |
| Insurance | $6,820 | $6,518 | $7,358 | $7,746 | $7,717 | $8,838 | $8,699 | $10,391 |
| CICP/Self Pay/ Other | ($4,563) | ($2,897) | ($3,920) | ($4,013) | ($2,070) | ($860) | $1,286[6] | $862[6] |
| Overall | $542 | $701 | $918 | $903 | $747 | $1,039 | $1,243 | $1,347 |

**Table 6**

[5] CHA DATABANK is an online program available to Colorado Hospital Association members and serves as a centralized location for the collection and analysis of hospital utilization and financial data.

[6] The payment less cost per patient for the CICP/Self Pay/Other payer group may show a positive result in CYs 2015 and 2016 due to hospitals reporting revenue incorrectly as CICP revenue, rather than Medicaid revenue, or because of a decline in the allocation of bad debt and charity care to this payer group. More analysis is needed to understand the change in payment less cost per patient for the CICP/Self Pay/Other payer group.

Patient Mix by Payer

Table 7 shows the relative patient mix by payer. Over the eight-year time-frame, the patient mix for Medicare is relatively constant, while the patient mix figures for Medicaid increased and CICP/Self Pay/Other decreased significantly beginning in CY 2014 when the Medicaid expansion occurred. During this same period the insurance patient mix decreased as well.

**Patient Case Mix by Payer Group**

| | CY 2009 | CY 2010 | CY 2011 | CY 2012 | CY 2013 | CY 2014 | CY 2015 | CY 2016 |
|---|---|---|---|---|---|---|---|---|
| Medicare | 31.4% | 31.8% | 31.6% | 31.9% | 32.1% | 32.1% | 32.1% | 32.8% |
| Medicaid | 11.5% | 12.1% | 12.5% | 13.3% | 14.1% | 19.9% | 21.6% | 21.7% |
| Insurance | 43.1% | 41.7% | 41.4% | 41.1% | 40.5% | 38.4% | 37.8% | 37.4% |
| CICP/Self Pay/ Other | 14.0% | 14.5% | 14.5% | 13.8% | 13.3% | 9.6% | 8.6% | 8.1% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

**Table 7**[7]

Payment to Cost Ratio

Another way to view the impact of cost shifting is through the ratio of total payments to total costs for Medicare, Medicaid, private sector insurance, and CICP/Self Pay/Other payer groups.

Ratios below 1 mean that costs exceed payments, which is generally the case for Medicare, Medicaid, and the CICP/Self Pay/Other payer groups. Values greater than 1 mean that payments exceed costs, as is the case for the private sector insurance group.

As shown below, in 2009, prior to the implementation of the CHCAA, Medicaid reimbursement to Colorado hospitals was approximately 54% of costs, while in 2016, the payment to cost ratio for Medicaid is 71% of costs. The payment to cost ratio for the CICP/Self Pay/Other payer group has also increased from 52% in 2009 to 107% in 2016. However, the payment to cost ratio for private sector insurance and the overall payment to cost ratio have also increased which is counterintuitive to a cost shift reduction.

**Payment to Cost Ratio by Payer Group**

| | CY 2009 | CY 2010 | CY 2011 | CY 2012 | CY 2013 | CY 2014 | CY 2015 | CY 2016 |
|---|---|---|---|---|---|---|---|---|
| Medicare | 0.78 | 0.76 | 0.77 | 0.74 | 0.66 | 0.71 | 0.72 | 0.71 |
| Medicaid | 0.54 | 0.74 | 0.76 | 0.79 | 0.80 | 0.72 | 0.75 | 0.71 |
| Insurance | 1.55 | 1.49 | 1.54 | 1.54 | 1.52 | 1.59 | 1.58 | 1.64 |
| CICP/Self Pay/ Other | 0.52 | 0.72 | 0.65 | 0.67 | 0.84 | 0.93 | 1.11[8] | 1.07[8] |
| Overall | 1.05 | 1.06 | 1.07 | 1.07 | 1.05 | 1.07 | 1.08 | 1.09 |

**Table 8**

[7] Patient mix by payer is calculated using charges. In previous years' reports, adjusted discharges were used to calculate payer mix.

[8] See footnote 6.

Bad Debt and Charity Care

Total bad debt and charity care is collected in aggregate from the CHA DATABANK. Bad debt and charity care are costs that hospitals typically write-off as uncompensated care. As shown below, total bad debt and charity care have decreased dramatically from 2013 to 2014, the year when health coverage expansion under the CHCAA and ACA were fully implemented, and continued through 2016. As shown below, total bad debt and charity care are approximately $407 million lower in 2016 compared to 2013, which is a reduction of 58%.

**Bad Debt and Charity Care**

| | Bad Debt | Charity Care | Total |
|---|---|---|---|
| CY 2009 | $255,161,427 | $438,432,609 | $693,594,036 |
| CY 2010 | $234,216,738 | $430,871,543 | $665,088,281 |
| CY 2011 | $194,825,791 | $473,157,782 | $667,983,573 |
| CY 2012 | $206,347,067 | $465,558,867 | $671,905,934 |
| CY 2013 | $255,306,707 | $444,436,807 | $699,743,514 |
| CY 2014 | $145,964,802 | $174,150,188 | $320,114,990 |
| CY 2015 | $145,358,187 | $118,526,410 | $263,884,597 |
| CY 2016 | $145,381,741 | $147,180,251 | $292,561,992 |

**Table 9**[9]

All-Payer Cost, Revenue, and Margin

Table 10 presents overall hospital payments, costs, and margins on a per patient basis over the last 8 years. While costs have increased at an annual average rate of 4.9% over the 8-year period, payments have increased an average of 5.7% per year resulting in an average annual increase in margin of 21.4%.

**All-Payer Cost, Revenue, and Margin**

| | CY 2009 | CY 2010 | CY 2011 | CY 2012 | CY 2013 | CY 2014 | CY 2015 | CY 2016 | Average Annual Change |
|---|---|---|---|---|---|---|---|---|---|
| Payment Per Patient | $12,313 | $13,285 | $13,786 | $14,663 | $15,224 | $15,766 | $16,045 | $17,126 | 5.7% |
| Cost Per Patient | $11,771 | $12,584 | $12,868 | $13,760 | $14,477 | $14,727 | $14,802 | $15,779 | 4.9% |
| Margin Per Patient | $542 | $701 | $918 | $903 | $747 | $1,039 | $1,243 | $1,347 | 21.4% |

**Table 10**

[9] Amounts represent the costs associated with Charity Care and Bad Debt. In previous years, these amounts were expressed as charges written off.

### Further Analysis Needed

The amounts each hospital pays in provider fees and receives in return are known quantities. But determining the extent to which the hospitals reduced the cost shift, offset revenue reductions from other payers, increased margin, and/or increased expenses requires a deeper analysis. The intent of the CHCAA is to decrease the cost shift and, while the aggregate hospital indicators presented above can be used to draw conclusions in this regard, a true understanding of how the provider fee has impacted the cost shift would require analysis of more granular data down to and including the individual hospital level. Further, no two hospitals are alike, which adds an additional level of variability that must be understood in order to draw conclusions about the impact of the provider fee.

There are several distinguishing characteristics of hospitals and each can have a significant impact on how a hospital operates and performs financially:

- Organization

  Hospitals can be organized in several different ways. Some hospitals operate on a stand-alone basis while others are part of larger systems. Hospitals can be government-owned, organized as a tax-exempt non-profit, or investor-owned. Differences in organization can have implications for hospital operations and financial performance. For example, system hospitals may be able to take advantage of economies of scale and centralized services. Such opportunities are limited for stand-alone hospitals. Investor-owned hospitals answer to shareholders and have a tax burden while the public expects tax-exempt non-profit hospitals to provide a much higher degree of community benefit.

- Location

  Hospitals generally can be categorized as urban or rural and each operates in a different environment. For example, urban hospitals generally offer more services, see more complex patients, and have longer patient stays than their rural counterparts. Geographic location can also bring into play socio-economic differences. A small rural hospital on the eastern plains operates in a much different environment than a similarly sized hospital in a resort town.

- Hospital Type

  Colorado hospitals can range in size from less than 25 beds to over 500 beds. Some hospitals are community hospitals while others may encompass academic and/or research activities. There are general acute care hospitals while others are specialty hospitals such as psychiatric, rehabilitation, and long-term care hospitals.

- Service Mix

  Different hospitals can offer a variety of different services and in varying proportions. Services can include inpatient, outpatient, diagnostic, clinics, cancer and other therapies, rehabilitation, and ambulatory surgery.

- Payer Mix

  Hospitals deal with many different payers, which can generally be grouped into Medicare, Medicaid, private insurance, indigent care programs, and the uninsured. The mix of these payers varies greatly between hospitals and the financial implications are significant.

The provider fee is just one of a myriad of factors impacting hospitals. The environment in which hospitals operate is in a constant state of flux and to understand the impact of the provider fee on the cost shift, it is necessary to understand, and isolate to the extent possible, the impacts of these other factors. A sampling may include:

- Changes in patient mix - Both the CHCAA and the ACA significantly expanded the number of individuals eligible for coverage under the Medicaid program. One positive consequence of the expansion is a reduction in the number of uninsured individuals resulting in a significant reduction in the amount of hospital uncompensated care. On the other hand, the Medicaid expansion had an offsetting impact to the patient mix for some hospitals resulting in a reduction in the number of higher paying, commercially insured patients.
- Changes in care setting - With the recent rise in the number of ambulatory surgery and urgent care centers and the surge in telemedicine over the last several years, there has been a general shift in care setting from inpatient to outpatient. This had, and continues to have, revenue and cost implications for hospitals complicating year-over-year comparisons.
- Changes in payment methods - Hospitals are paid using a number of different methods. Recent health care reform efforts have slowly been shifting payment from a units-of-service-provided basis to one that is based on value which effectively shifts risk from the payers to the hospitals. This shift had a significant impact on how hospitals operate.

## V. Department of Health Care Policy and Financing

Expenditures in this section are reported on a state fiscal year basis. In SFY 2016-17 the Department collected $654 million in fees from hospitals, which, with federal matching funds, funded health coverage expansions, payments to hospitals, and the Department's administrative expenses. The following table outlines the hospital provider fee expenditures in SFY 2016-17.

**SFY 2016-17 Hospital Provider Fee Expenditures (Total Funds)[10]**

| | |
|---|---|
| Supplemental Hospital Payments | $979,909,000 |
| Department Administration | $59,520,000 |
| Expansion Populations | $1,849,899,000 |
| 25.5-4-402.3 (4)(b)(VII) – Offset revenue loss | $15,700,000 |
| **Total Expenditures** | **$2,905,028,000** |

**Table 11**

Funding in SFY 2016-17 was appropriated for CHCAA administrative expenses through the normal budget process. For SFY 2016-17, the Department had approximately 75.2 regular full-time equivalent (FTE) positions for the administration of the CHCAA.

The expenditures reflected in the following table are funded entirely by hospital provider fees and federal funds. These are new expenditures and do not supplant existing Department administrative funds. Approximately 2.05% of total CHCAA expenditures were for the Department's administrative expenses of administering the CHCAA, while 0.20% of total CHCAA expenditures were for the personal services costs of the FTE administering the program.

[10] Figures in this table are reported on a state fiscal year basis (July 1 through June 30) and will not match other figures in this appendix, which are reported on an October 1 through September 30 basis.

## SFY 2016-17 Administrative Expenditures

| | |
|---|---|
| (1) Executive Director's Office; (A) General Administration, Personal Services | $5,830,290 |
| (1) Executive Director's Office; (A) General Administration, Operating Expenses | $107,850 |
| (1) Executive Director's Office; (A) General Administration, Legal Services | $304,258 |
| (1) Executive Director's Office; (A) General Administration, Administrative Law Judge Services | $155,534 |
| (1) Executive Director's Office; (A) General Administration: Payments to OIT | $755,090 |
| (1) Executive Director's Office; (A) General Administration: CORE Operations | $280,708 |
| (1) Executive Director's Office; (A) General Administration: Leased Space | $494,730 |
| (1) Executive Director's Office; (A) General Administration: General Professional Services and Special Projects | $1,591,283 |
| (1) Executive Director's Office; (C) Information Technology Contracts and Projects, MMIS System | $14,409,523 |
| (1) Executive Director's Office; (C) Information Technology Contracts and Projects, Centralized Eligibility Vendor Contract Project | $3,624,448 |
| (1) Executive Director's Office; (C) Information Technology Contracts and Projects, CBMS Operating and Contracts | $6,762,986 |
| (1) Executive Director's Office; (D) Eligibility Determinations and Client Services, Medical Identification Cards | $42,095 |
| (1) Executive Director's Office; (D) Eligibility Determinations and Client Services, Contracts for Special Eligibility Determinations | $5,318,792 |
| (1) Executive Director's Office; (D) Eligibility Determinations and Client Services, Hospital Provider Fee County Administration | $15,748,868 |
| (1) Executive Director's Office; (D) Eligibility Determinations and Client Services, Customer Outreach | $673,240 |
| (1) Executive Director's Office; (D) Eligibility Determinations and Client Services, Medical Assistance Sites | $1,415,810 |
| (1) Executive Director's Office; (E) Utilization and Quality Review Contracts, Professional Services Contracts | $1,102,227 |
| (1) Executive Director's Office; (F) Provider Audits and Services, Professional Audit Contracts | $500,000 |
| (1) Executive Director's Office; (H) Indirect Cost Recoveries, Indirect Cost Assessment | $381,920 |
| **Total Executive Director's Office Expenditures** | **$59,499,652** |
| (4) Indigent Care Program; Children's Basic Health Plan Administration | $19,917 |
| **Total Administrative Expenditures (Total Funds)** | **$59,519,569** |

**Table 12**

## VI. 2016-17 Hospital Provider Fee Overview

This overview describes the fee assessment and payment methodologies for October 2016 through September 2017.[11] While individual hospitals may not be eligible for all payments, all methodologies are described.

### Provider Fees

Inpatient Hospital Fee and Outpatient Fee

Total Fees collected were $782,312,000. Inpatient fees comprised 52% of total fees, while outpatient fees comprised 48%.

Inpatient fee is charged on a facility's managed care days and non-managed care days. Fees charged on managed care days are discounted by 77.63% compared to the rate assessed on non-managed care days. Managed care days are Medicaid Health Maintenance Organization (HMO), Medicare HMO, and any commercial (Preferred Provider Organization) PPO or HMO days. Non-Managed Care Days are all other days (i.e., fee for service, normal [Diagnosis Related Group] DRG or indemnity plan days).

Outpatient fee is assessed as a percentage of total outpatient charges.

Hospitals Exempt from Inpatient and Outpatient Hospital Fees

State Licensed Psychiatric Hospitals

Medicare Certified Long Term Care (LTC) Hospitals

State Licensed and Medicare Certified Rehabilitation Hospitals

Hospitals Assessed Discounted Fees

High Volume Medicaid and CICP hospitals are those with at least 30,000 Medicaid inpatient days per year that provide over 30% of their total days to Medicaid and CICP clients. The inpatient fee calculation for High Volume Medicaid and CICP providers is discounted by 47.79%. The outpatient fee for High Volume Medicaid and CICP providers is discounted by 0.84%.

Essential Access hospitals are Critical Access Hospitals and other rural hospitals with 25 or fewer beds.

The inpatient fee calculation for Essential Access providers is discounted by 60%.

[11] Despite being separate fees and separate programs, information for the October 1, 2016 to June 30, 2017 time period under CHCAA and the July 1, 2017 to September 30, 2017 time period under CHASE are reported in aggregate for the sake of meaningful comparison to prior CHCAA annual reports.

## Supplemental Hospital Payments

Inpatient Hospital Payment

For qualified hospitals, this payment equals Medicaid estimated discharges, multiplied by average Medicaid case mix, multiplied by the Medicaid base rate, multiplied by percentage adjustment factors may vary by hospital. The percentage adjustment factor for each hospital is published annually in the Colorado Medicaid Provider Bulletin.

State Licensed Psychiatric Hospitals are not qualified for this payment.

Outpatient Hospital Payment

For qualified hospitals, this payment equals Medicaid outpatient billed costs, adjusted for utilization, and inflation, multiplied by a percentage adjustment factor. Percentage adjustment factors may vary by hospital. The percentage adjustment factor for each hospital is published annually in the Colorado Medicaid Provider Bulletin.

State Licensed Psychiatric Hospitals are not qualified for this payment.

Uncompensated Care Payment

The Uncompensated Care Payment for qualified Essential Access hospitals equals the hospital's percent of total beds for qualified Essential Access hospitals multiplied by $15,000,000. The Uncompensated Care Payment for qualified Non-Essential Access hospitals is the hospital's percentage of uninsured costs for all qualified Non-Essential Access hospitals multiplied by $100,480,176.

Psychiatric hospitals, LTC hospitals, and rehabilitation hospitals do not qualify for this payment.

Disproportionate Share Hospital Payment

The DSH payment in total equals $202,783,531. To qualify for the DSH Payment a Colorado hospital shall meet either of the following criteria:

- Is a CICP provider, and has at least two obstetricians or is obstetrician exempt pursuant to Section 1923(d)(2)(A) of the Social Security Act; or
- Has a Medicaid Inpatient Utilization Rate equal to or greater than the mean plus one standard deviation of all Medicaid Inpatient Utilization Rates for Colorado hospitals, and has at least two obstetricians or is obstetrician exempt pursuant to Section 1923(d)(2)(A) of the Social Security Act.

No hospital receives a DSH Payment greater than its estimated DSH limit.

The DSH Supplemental Payment for qualified hospitals equals the lesser of each hospital's DSH limit and each hospital's Uninsured Costs as a percentage of total Uninsured Cost for all qualified hospitals, multiplied by the DSH Allotment in Total. This methodology is used to distribute the remaining allotment among qualified hospitals that have not met their DSH limit.

Psychiatric hospitals, LTC hospitals, and rehabilitation hospitals do not qualify for this payment.

## VII. 2016-17 Hospital Provider Fees and Payments by Hospital

### Fee-Exempt Hospitals – Free-Standing Psychiatric, Long Term Care, and Rehabilitation Hospitals

| Hospital Name | County | Fees | Payments | Appx CICP Payments Pre-CHCAA | Net Reimbursement Increase |
|---|---|---|---|---|---|
| Haven Behavioral Health at North Denver | Adams | $0 | $0 | $0 | $0 |
| Kindred Hospital Aurora | Adams | $0 | $290,410 | $0 | $290,410 |
| HealthOne Spalding Rehabilitation Hospital | Adams | $0 | $63,241 | $0 | $63,241 |
| Vibra Hospital | Adams | $0 | $12,358 | $0 | $12,358 |
| Craig Hospital | Arapahoe | $0 | $215,214 | $0 | $215,214 |
| HealthSouth Rehabilitation Hospital of Littleton | Arapahoe | $0 | $331,837 | $0 | $331,837 |
| Centennial Peaks Hospital | Boulder | $0 | $0 | $0 | $0 |
| Colorado Mental Health Institute-Ft Logan | Denver | $0 | $0 | $0 | $0 |
| Eating Recovery Center | Denver | $0 | $0 | $0 | $0 |
| Kindred Hospital-Denver | Denver | $0 | $7,202 | $0 | $7,202 |
| Colorado Acute Long Term Hospital | Denver | $0 | $27,459 | $0 | $27,459 |
| Kindred Hospital - Denver South | Denver | $0 | $63,858 | $0 | $63,858 |
| Highlands Behavioral Health System | Douglas | $0 | $0 | $0 | $0 |
| Cedar Springs Hospital | El Paso | $0 | $0 | $0 | $0 |
| Peak View Behavioral Health | El Paso | $0 | $0 | $0 | $0 |
| HealthSouth Rehabilitation Hospital-Colorado Springs | El Paso | $0 | $252,532 | $0 | $252,532 |
| Kindred Hospital - Colorado Springs | El Paso | $0 | $12,608 | $0 | $12,608 |
| Northern Colorado Long Term Acute Care Hospital | Larimer | $0 | $7,156 | $0 | $7,156 |
| Clear View Behavioral Health | Larimer | $0 | $0 | $0 | $0 |
| West Springs Hospital | Mesa | $0 | $0 | $0 | $0 |
| Colorado Mental Health Institute-Pueblo | Pueblo | $0 | $0 | $0 | $0 |
| Haven Behavioral Senior Care at St. Mary-Corwin | Pueblo | $0 | $0 | $0 | $0 |
| Northern Colorado Rehabilitation Hospital | Weld | $0 | $76,148 | $0 | $76,148 |
| **Total** | | **$0** | **$1,360,023** | **$0** | **$1,360,023** |

## Fee-Paying Hospitals – General, Acute Care Hospitals

| Hospital Name | County | Fees | Payments | Appx CICP Payments pre-CHCAA | Net Reimbursement Increase |
|---|---|---|---|---|---|
| Children's Hospital Colorado | Adams | $27,309,945 | $56,199,763 | $2,854,794 | $26,035,024 |
| HealthOne North Suburban Medical Center | Adams | $17,172,052 | $26,253,325 | $0 | $9,081,273 |
| Platte Valley Medical Center | Adams | $5,801,368 | $11,608,316 | $1,499,298 | $4,307,650 |
| University of Colorado Hospital | Adams | $59,807,854 | $79,958,651 | $36,264,181 | -$16,113,384 |
| San Luis Valley Regional Medical Center | Alamosa | $2,911,628 | $10,422,907 | $962,324 | $6,548,955 |
| Centura Health - Littleton Adventist Hospital | Arapahoe | $18,921,652 | $15,560,461 | $0 | -$3,361,191 |
| HealthOne Medical Center of Aurora | Arapahoe | $34,457,198 | $23,725,032 | $0 | -$10,732,166 |
| HealthOne Swedish Medical Center | Arapahoe | $42,050,544 | $49,799,108 | $0 | $7,748,564 |
| Pagosa Mountain Hospital | Archuleta | $532,076 | $2,149,553 | $0 | $1,617,477 |
| Southeast Colorado Hospital District | Baca | $250,702 | $1,252,837 | $34,179 | $967,956 |
| Boulder Community Health | Boulder | $19,177,761 | $18,138,248 | $1,063,630 | -$2,103,143 |
| Centura Health - Avista Adventist Hospital | Boulder | $6,821,491 | $11,682,662 | $0 | $4,861,171 |
| Centura Health - Longmont United Hospital | Boulder | $11,936,277 | $19,818,140 | $1,633,746 | $6,248,117 |
| Good Samaritan Medical Center | Boulder | $17,073,674 | $8,986,552 | $0 | -$8,087,122 |
| Centura Health - St. Anthony North Health Campus | Broomfield | $12,261,922 | $15,570,752 | $0 | $3,308,830 |
| UCHealth Broomfield Hospital | Broomfield | $3,285,038 | $3,146,099 | $0 | -$138,939 |
| Heart of the Rockies Regional Medical Center | Chaffee | $1,511,071 | $5,488,287 | $247,500 | $3,729,716 |
| Keefe Memorial Health Service District | Cheyenne | $100,806 | $754,093 | $0 | $653,287 |
| San Luis Valley Health Conejos County Hospital | Conejos | $185,738 | $1,798,659 | $99,884 | $1,513,037 |
| Delta County Memorial Hospital | Delta | $3,513,049 | $4,810,843 | $912,623 | $385,171 |
| Centura Health - Porter Adventist Hospital | Denver | $19,682,234 | $12,434,659 | $0 | -$7,247,575 |
| Denver Health | Denver | $26,608,344 | $105,224,472 | $64,455,024 | $14,161,104 |
| HealthOne Presbyterian/St. Luke's Medical Center | Denver | $29,121,415 | $50,340,549 | $0 | $21,219,134 |
| HealthOne Rose Medical Center | Denver | $23,150,210 | $27,544,111 | $0 | $4,393,901 |
| National Jewish Health | Denver | $2,681,355 | $9,073,798 | $1,682,780 | $4,709,663 |
| Saint Joseph Hospital | Denver | $26,989,350 | $48,886,882 | $0 | $21,897,532 |
| Centura Health - Castle Rock Adventist Hospital | Douglas | $3,746,112 | $3,748,513 | $0 | $2,401 |
| Centura Health - Parker Adventist Hospital | Douglas | $12,897,849 | $7,632,107 | $0 | -$5,265,742 |

| Hospital Name | County | Fees | Payments | Appx CICP Payments pre-CHCAA | Net Reimbursement Increase |
|---|---|---|---|---|---|
| HealthOne Sky Ridge Medical Center | Douglas | $20,921,040 | $6,209,066 | $0 | -$14,711,974 |
| Vail Valley Medical Center | Eagle | $3,990,666 | $8,218,966 | $0 | $4,228,300 |
| Centura Health - Penrose -St. Francis Health Services | El Paso | $39,764,797 | $40,034,338 | $2,195,836 | -$1,926,295 |
| Memorial Hospital | El Paso | $34,401,075 | $63,811,464 | $16,142,511 | $13,267,878 |
| Centura Health - St. Thomas More Hospital | Fremont | $2,195,877 | $7,887,487 | $779,972 | $4,911,638 |
| Grand River Hospital District | Garfield | $1,209,844 | $5,067,793 | $190,609 | $3,667,340 |
| Valley View Hospital | Garfield | $5,922,108 | $16,548,697 | $444,750 | $10,181,839 |
| Middle Park Medical Center - Kremmling | Grand | $429,129 | $2,237,083 | $117,393 | $1,690,561 |
| Gunnison Valley Health | Gunnison | $801,626 | $2,945,836 | $42,048 | $2,102,162 |
| Spanish Peaks Regional Health Center | Huerfano | $341,704 | $1,766,199 | $135,879 | $1,288,616 |
| Centura Health - Ortho Colorado | Jefferson | $1,377,469 | $0 | $0 | -$1,377,469 |
| Centura Health - St. Anthony Hospital | Jefferson | $24,159,636 | $23,080,211 | $0 | -$1,079,425 |
| Lutheran Medical Center | Jefferson | $28,753,464 | $22,281,396 | $0 | -$6,472,068 |
| SCL Health Community Hospital - Westminster | Jefferson | $608,574 | $631,511 | $0 | $22,937 |
| Weisbrod Memorial County Hospital | Kiowa | $66,002 | $778,061 | $0 | $712,059 |
| Kit Carson County Health Service District | Kit Carson | $400,454 | $2,093,937 | $0 | $1,693,483 |
| Animas Surgical Hospital | La Plata | $1,110,966 | $2,083,641 | $0 | $972,675 |
| Centura Health - Mercy Regional Medical Center | La Plata | $7,365,207 | $14,087,349 | $534,968 | $6,187,174 |
| St. Vincent General Hospital District | Lake | $188,351 | $1,460,656 | $118,153 | $1,154,152 |
| Banner Fort Collins Medical Center | Larimer | $1,473,270 | $4,402,126 | $0 | $2,928,856 |
| Estes Park Medical Center | Larimer | $790,134 | $1,656,408 | $435,234 | $431,040 |
| McKee Medical Center | Larimer | $7,214,546 | $11,724,304 | $2,131,572 | $2,378,186 |
| Medical Center of the Rockies | Larimer | $18,951,744 | $26,816,110 | $1,584,786 | $6,279,580 |
| Poudre Valley Hospital | Larimer | $24,097,769 | $34,015,035 | $5,935,254 | $3,982,012 |
| Mt. San Rafael Hospital | Las Animas | $1,128,324 | $3,812,633 | $134,622 | $2,549,687 |
| Lincoln Community Hospital | Lincoln | $264,254 | $933,059 | $0 | $668,805 |
| Sterling Regional Medical Center | Logan | $1,520,558 | $5,817,659 | $794,952 | $3,502,149 |
| Community Hospital | Mesa | $3,881,210 | $3,903,042 | $170,542 | -$148,710 |
| Family Health West Hospital | Mesa | $792,880 | $1,491,082 | $0 | $698,202 |

| Hospital Name | County | Fees | Payments | Appx CICP Payments pre-CHCAA | Net Reimbursement Increase |
|---|---|---|---|---|---|
| St. Mary's Hospital and Medical Center | Mesa | $24,871,877 | $31,948,215 | $1,747,192 | $5,329,146 |
| The Memorial Hospital | Moffat | $909,714 | $5,071,328 | $167,785 | $3,993,829 |
| Southwest Health System | Montezuma | $1,414,274 | $6,696,887 | $383,352 | $4,899,261 |
| Montrose Memorial Hospital | Montrose | $5,227,801 | $7,507,127 | $1,054,452 | $1,224,874 |
| Colorado Plains Medical Center | Morgan | $3,961,943 | $5,785,987 | $162,836 | $1,661,208 |
| East Morgan County Hospital | Morgan | $671,914 | $2,701,115 | $175,025 | $1,854,176 |
| Arkansas Valley Regional Medical Center | Otero | $1,351,462 | $6,806,681 | $1,374,965 | $4,080,254 |
| Haxtun Hospital District | Phillips | $86,904 | $827,328 | $0 | $740,424 |
| Melissa Memorial Hospital | Phillips | $196,063 | $928,030 | $40,279 | $691,688 |
| Aspen Valley Hospital | Pitkin | $1,469,102 | $3,362,797 | $490,839 | $1,402,856 |
| Prowers Medical Center | Prowers | $775,632 | $5,362,201 | $407,322 | $4,179,247 |
| Centura Health - St. Mary-Corwin Medical Center | Pueblo | $14,779,976 | $30,079,393 | $2,978,448 | $12,320,969 |
| Parkview Medical Center | Pueblo | $34,107,384 | $53,742,838 | $3,603,807 | $16,031,647 |
| Pioneers Medical Center | Rio Blanco | $188,081 | $794,097 | $0 | $606,016 |
| Rangely District Hospital | Rio Blanco | $108,513 | $1,286,137 | $0 | $1,177,624 |
| Rio Grande Hospital | Rio Grande | $475,215 | $2,176,101 | $51,020 | $1,649,866 |
| Yampa Valley Medical Center | Routt | $2,314,366 | $6,688,548 | $168,950 | $4,205,232 |
| Sedgwick County Health Center | Sedgwick | $195,609 | $837,411 | $27,239 | $614,563 |
| Centura Health - St. Anthony Summit Medical Center | Summit | $2,136,365 | $4,358,165 | $0 | $2,221,800 |
| Pikes Peak Regional Hospital | Teller | $790,176 | $2,338,259 | $55,614 | $1,492,469 |
| North Colorado Medical Center | Weld | $21,389,233 | $33,795,265 | $6,182,516 | $6,223,516 |
| Wray Community District Hospital | Yuma | $320,658 | $1,807,701 | $107,405 | $1,379,638 |
| Yuma District Hospital | Yuma | $487,542 | $1,943,107 | $98,017 | $1,357,548 |
| **Total** | | **$782,311,197** | **$1,164,649,246** | **$162,876,107** | **$219,461,942** |
| **Total All Hospitals[12]** | | **$782,311,197** | **$1,166,009,269** | **$162,876,107** | **$220,821,965** |

**Table 13**

[12] Figures may not sum to totals due to rounding