



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

Department of Health Care Policy and Financing  
1570 Grant Street  
Denver, CO 80203

November 1, 2017

The Honorable Millie Hamner, Chair  
Joint Budget Committee  
200 East 14th Avenue, Third Floor  
Denver, CO 80203

Dear Representative Hamner:

Enclosed please find a legislative report to the Joint Budget Committee from the Department of Health Care Policy and Financing on Performance-Based Payments.

*Pursuant to section 25.5-4-401.2, C.R.S., on or before November 1, 2017, the Department of Health Care Policy and Financing (the Department) shall prepare a written report describing rules adopted by the state board and contract provisions approved by the Centers for Medicare and Medicaid Services in the preceding calendar year that authorize payments to providers based on performance.*

No new rules or contracts authorizing performance-based payments for providers were adopted or approved in CY 2016, but the Department would note that rules were updated for two long-standing programs: The Hospital Quality Incentive Program (HQIP) and the Nursing Facility Provider Fee Pay for Performance (P4P) Program. The Department provides an overview of value-based purchasing programs with accompanying rules to be submitted to the Medical Services Board (MSB) and contracts to be submitted to the Centers for Medicare and Medicaid Services (CMS) that authorize performance-based payments for providers over the next two years, including the Primary Care Alternative Payment Methodology (PC APM); the Federally Qualified Health Center Alternative Payment Methodology (FQHC APM); the behavioral health incentive program; and the Accountable Care Collaborative (ACC) Phase II Key Performance Indicator (KPI) incentive payments.

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

Sincerely,

A handwritten signature in black ink that reads "Susan E. Birch".

Susan E. Birch, MBA, BSN, RN  
Executive Director

SEB



Enclosure(s): HCPF 2017 Performance-Based Payments Report

Cc: Senator Kent Lambert, Vice-chair, Joint Budget Committee  
Senator Kevin Lundberg, Joint Budget Committee  
Senator Dominick Moreno, Joint Budget Committee  
Representative Bob Rankin, Joint Budget Committee  
Representative Dave Young, Joint Budget Committee  
Eric Kurtz, Joint Budget Committee Analyst  
Bettina Schneider, Budget Analyst, Office of State Planning and Budgeting  
Legislative Council Library  
State Library  
John Bartholomew, Finance Office Director, HCPF  
Gretchen Hammer, Health Programs Office Director & Community Living Office  
Director, HCPF  
Tom Massey, Policy, Communications, and Administration Office Director, HCPF  
Chris Underwood, Health Information Office Director, HCPF  
Dr. Judy Zerzan, Client and Clinical Care Office Director, HCPF  
Rachel Reiter, External Relations Division Director, HCPF  
Zach Lynkiewicz, Legislative Liaison, HCPF





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November 1, 2017

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

Dear Senator Smallwood:

Enclosed please find a legislative report to the Senate Health and Human Services Committee from the Department of Health Care Policy and Financing on Performance-Based Payments.

*Pursuant to section 25.5-4-401.2, C.R.S., on or before November 1, 2017, the Department of Health Care Policy and Financing (the Department) shall prepare a written report describing rules adopted by the state board and contract provisions approved by the Centers for Medicare and Medicaid Services in the preceding calendar year that authorize payments to providers based on performance.*

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Susan E. Birch, MBA, BSN, RN  
Executive Director

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Enclosure(s): HCPF 2017 Performance-Based Payments 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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1570 Grant Street  
Denver, CO 80203

November 1, 2017

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 House Public Health Care and Human Services Committee from the Department of Health Care Policy and Financing on Performance-Based Payments.

*Pursuant to section 25.5-4-401.2, C.R.S., on or before November 1, 2017, the Department of Health Care Policy and Financing (the Department) shall prepare a written report describing rules adopted by the state board and contract provisions approved by the Centers for Medicare and Medicaid Services in the preceding calendar year that authorize payments to providers based on performance.*

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Susan E. Birch, MBA, BSN, RN  
Executive Director



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Enclosure(s): HCPF 2017 Performance-Based Payments Report

Cc: Representative Jessie Danielson, Vice-Chair, Public Health Care and Human Services Committee  
Representative Marc Catlin, 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  
Representative Brittany Pettersen, Public Health Care and Human Services Committee  
Representative Kim Ransom, Public Health Care and Human Services Committee  
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1570 Grant Street  
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November 1, 2017

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 House Health, Insurance, and Environment Committee from the Department of Health Care Policy and Financing on Performance-Based Payments.

*Pursuant to section 25.5-4-401.2, C.R.S., on or before November 1, 2017, the Department of Health Care Policy and Financing (the Department) shall prepare a written report describing rules adopted by the state board and contract provisions approved by the Centers for Medicare and Medicaid Services in the preceding calendar year that authorize payments to providers based on performance.*

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Executive Director



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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  
Representative Chris Kennedy, Health, Insurance and Environment Committee  
Representative Lois Landgraf, Health, Insurance and Environment Committee  
Representative Susan Lontine, Health, Insurance and Environment Committee  
Representative Kim Ransom, Health, Insurance and Environment Committee  
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While no new rules or contracts authorizing performance-based payments for providers were adopted or approved in CY 2016, the Department would note that rules were updated for two long-standing programs: the Hospital Quality Incentive Program (HQIP) and the Nursing Facility Provider Fee Pay for Performance (P4P) Program. Both programs have existing, independent advisory boards and legislative authorization.

Additionally, the Department would like to share an overview of new value-based purchasing initiatives. Accompanying rules will be submitted to the Medical Services Board (MSB), while contracts and necessary State Plan Amendments will be submitted to the Centers for Medicare and Medicaid Services (CMS) to authorize performance-based payments for providers over the next two years. Additional detail will be included in future reports as statutorily required when the initiatives/programs are approved.

### **Primary Care Alternative Payment Model (PC APM)**

#### *Overview*

In the FY 2017-18 R-6: “Delivery System and Payment Reform” budget request, the Department requested and the General Assembly approved, through HB 17-1353 “Implementing Medicaid Delivery and Payment Initiatives,” continuation of an enhanced level of primary care reimbursement. With the enhanced funding, the Department committed to transitioning the primary care reimbursement from strictly fee-for-service to a value-based purchasing model.

Over the last year, the Department has worked closely with stakeholders throughout the State to develop and begin implementing an APM for primary care. The model’s methodology requires Primary Care Medical Providers (PCMPs) participating in the state’s Accountable Care Collaborative (ACC) Program to select from a menu of quality measures to work on over the course of a performance year. The Department will evaluate each practice’s performance on its selected measures and adjust each practice’s Medicaid fee schedule for a select set of services (the APM Benefit Package) according to that performance. Four percent (4%) of current reimbursement levels for services in the APM Benefit Package will be at risk in the first year and the amount at risk will grow to ten percent (10%) over time. Unearned funds from low performers will be distributed to high performers. The first performance year is CY 2019, with payment adjustments first occurring July 1, 2020.

Specific performance measures, a model, survival guide, Frequently Asked Questions, and stakeholder engagement documentation is publicly available on the Department’s website at the link provided below.

<https://www.colorado.gov/pacific/hcpf/primary-care-payment-reform-3>

Our mission is to improve health care access and outcomes for the people we serve while demonstrating sound stewardship of financial resources.

[www.colorado.gov/hcpf](http://www.colorado.gov/hcpf)



*Authority*

Implementation of this program will require approval of a State Plan Amendment (SPA) by the CMS and adoption of rules by the MSB. The Department is working with the CMS to determine the appropriate timing for the submission of a SPA. State budgetary authority was provided through HB 17-1353 “Implementing Medicaid Delivery and Payment Initiatives,” and statutory authority is provided by the same legislation requiring this report: 25.5-4-401, C.R.S.

**Federally Qualified Health Centers Alternative Payment Model (FQHC APM)***Overview*

The FQHC APM was also developed with significant stakeholder input and will be simultaneously implemented with the PC APM. As in the PC APM, FQHCs will be evaluated on self-selected measures and their reimbursement will be adjusted according to their performance. There are, however, a few key differences between the two programs. First, federal regulations require that states reimburse FQHCs using an encounter rate (a flat, FQHC-specific per visit rate paid regardless of what services are provided in any given visit) that is at least equal to an amount determined by federal mandate, also known as the Prospective Payment System (PPS) rate. Consequently, the FQHC APM limits risk to an amount that ensures payments will remain above the PPS rate. Second, the FQHC measure set differs from the PC APM measure set to reflect the different activities and services that FQHCs are required or consistently opt to provide. Lastly, FQHCs can choose not to participate in the FQHC APM as is their right under federal regulations.

*Authority*

Implementation of the FQHC APM program will also require approval of a SPA by the CMS and adoption of rules by the MSB. Statutory authority is provided by the same legislation requiring this report, 25.5-4-401, C.R.S.

**Behavioral Health Incentive Program***Overview*

The Department implemented a new behavioral health incentive program on July 1, 2017. The program incentivizes Behavioral Health Organizations (BHOs) in several key areas, including: follow up care and engagement, care planning for individuals with dual-diagnosis/developmental disabilities, and suicide prevention activities. To earn incentive payments, BHOs must perform well on measures in the key areas above and meet the following basic performance standards: 1) timely submission and completion of corrective action plans and activities, 2) timely and accurate submission of monthly encounter data, and 3) coding accuracy as demonstrated by audits.

Performance measures that may result in incentive payments include: 1) suicide risk assessments completion, 2) documented care coordination agreements for specific vulnerable populations, 3) documented care plans for service denials for individuals with a dual-diagnosis, 4) mental health



engagement, 5) substance use disorder (SUD) treatment engagement, 6) follow-up appointments after hospital stay for mental health conditions, and 7) reductions in utilization of emergency rooms for behavioral health conditions.

#### *Authority*

In 2017, the Department submitted a 1915(b)(3) waiver to the CMS, as well as contracts effective July 1, 2017; both were approved. State budgetary authority was provided by the General Assembly through HB 17-1353 “Implementing Medicaid Delivery and Payment Initiatives.”

### **Accountable Care Collaborative (ACC) Incentives**

#### *Overview*

Within the ACC program there are two types of incentive payments: Key Performance Indicator (KPI) Incentive Payments and Other Initiatives Incentive Payments. These incentive payments are tied to performance and activities which drive greater value in improving health outcomes and reducing costs.

KPI incentive payments are funded through the withhold of a portion of the per-member-per-month (PMPM) administrative payments to both PCMPs and Regional Care Coordination Organizations (RCCOs). Current KPIs are tied to reductions in emergency department visits and increases in well-child visits and postpartum care.

The Other Initiatives Incentive Payments are funded by reducing the RCCO PMPM by \$0.50, and through additional reductions for members who have been without a medical home for six months or longer. Currently, and for the past several years, these incentive dollars have been used to support practices in offering enhanced medical home services through participation in, and successful engagement with, the State’s enhanced primary care medical provider initiative, the State Innovation Model (SIM), and Comprehensive Primary Care Plus (CPC+).

Detailed reporting on performance and incentive payments is included in the Department’s annual report on the Accountable Care Collaborative, which is available on the Department’s website at the link provided below. The report for FY 2016-17 will be submitted on December 1, 2017.

<https://www.colorado.gov/pacific/sites/default/files/Health%20Care%20Policy%20and%20Financing%20FY%202016-17%20RFI%203.pdf>

In the next iteration of the ACC, scheduled to begin July 1, 2018, the new vendors, called Regional Accountable Entities (RAEs), will be responsible for promoting physical and behavioral health and performing the previous duties originally contracted to the RCCOs and BHOs in their region. The Department will continue the behavioral health incentive program with the new vendors and will expand the KPI program. There are two primary enhancements to the KPI program: first, the Department will withhold a larger portion of the vendors’ administrative payments to increase the financial incentives to perform well on KPI measures and, second, the number of KPIs will be increased to up to nine measures. The additional KPIs have not been finalized as the RAE contracts are under development.

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[www.colorado.gov/hcpf](http://www.colorado.gov/hcpf)



*Authority*

The current Accountable Care Collaborative program is authorized via the State Plan. Implementation of the next iteration of the Accountable Care Collaborative incentive programs will require approval of contracts and a 1915(b) waiver by the CMS, in addition to the approval and adoption of rules by the MSB.

