



COLORADO DEPARTMENT OF HEALTH CARE POLICY & FINANCING

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John W. Hickenlooper, Governor • Susan E. Birch MBA, BSN, RN, Executive Director

February 1, 2013

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

Dear Senator Steadman:

Enclosed please find a legislative report to the Joint Budget Committee from the Department of Health Care Policy and Financing on the status of the implementation of H.B.12-1281.

Section 25.5-5-415 of the Colorado Revised Statutes requires the Department to report on any payment projects received by the Department by February 1, 2013.

The following report summarizes the proposed pilot programs as described by the Regional Care Collaborative Organizations (RCCOs) in their letters of intent.

If you require further information or have additional questions, please contact the Department's Legislative Liaison, MaryKathryn Hurd, at MK.Hurd@state.co.us or 303-547-8494.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Susan E. Birch', is written over a faint circular stamp.

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

SEB/djd

Enclosure(s)

The Honorable Pat Steadman, Chair

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Cc: Representative Claire Levy, Vice-Chair, Joint Budget Committee
Representative Crisanta Duran, Joint Budget Committee
Representative Cheri Gerou, Joint Budget Committee
Senator Mary Hodge, Joint Budget Committee
Senator Kent Lambert, Joint Budget Committee
John Ziegler, Staff Director, JBC
Kevin Neimond, JBC Staff
Eric Kurtz, JBC Analyst
Henry Sobanet, Director, Office of State Planning and Budgeting
Erick Scheminske, Deputy Director, Office of State Planning and Budgeting
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MaryKathryn Hurd, Legislative Liaison
Rachel Reiter, Communications Director



COLORADO DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

REPORT TO:
Joint Budget Committee of the General Assembly,
Health and Human Services Committee of the Senate,
and
Public Health Care and Human Services Committee of the House of Representatives

ACC PAYMENT REFORM INITIATIVE: REPORT ON PILOT PROPOSALS RECEIVED BY THE DEPARTMENT

**As Required by House Bill 12-1281 of the
Second Regular Session of the 68th General Assembly**

February 1, 2013

EXECUTIVE SUMMARY

House Bill (HB) 12-1281 of the Second Regular Session of the 68th General Assembly was passed in 2012 creating section 25.5-5-415, C.R.S. Section 25.5-5-415, C.R.S. requires the Department of Health Care Policy and Financing (Department) to accept proposals for innovative payment reform ideas that will demonstrate new ways of paying for improved client outcomes while reducing costs. The pilot program will be implemented using the Department’s current care coordination structure, the Accountable Care Collaborative (ACC) Program.

Section 25.5-5-415, C.R.S. also requires the Department to report to the Joint Budget Committee, Health and Human Services Committee of the Senate and the Public Health Care and Human Services Committee of the House of Representatives on or before February 1, 2013, concerning the design and implementation of the pilot program, including a description of any payment projects received by the Department and the time frame for implementation. This report is submitted to satisfy the requirement.

The Department implemented the ACC Program in May 2011 as a Medicaid system reform. The ACC Program represents a committed effort to transform the Medicaid Program into an integrated system of better care for all its members and to lower costs for the State of Colorado. As of November 1, 2012, 177,691 Medicaid recipients are enrolled as members in the ACC Program, representing approximately 27% of the Medicaid population in Colorado.

For the purpose of the ACC Program, the state is geographically divided into seven regions, each having one Regional Care Collaborative Organization (RCCO) responsible for all of the ACC members in that region (see map – figure 1).

The RCCOs were allowed to submit letters of intent to the Department as an initial step in submitting payment reform pilot proposals. Each RCCO submitted one (1) letter of intent except Colorado Access submitted five (5), covering their three (3) contracted regions, and Community Health Partnership submitted two (2). The Department received a total of ten (10) letters of intent.

The following descriptions of the proposed pilot programs were extracted from the letters of intent and are presented below by region.

| | RCCO | Payment Proposal Type | Medicaid Population | Region |
|---|------------------------------------|------------------------------|---|---------------|
| 1 | Rocky Mountain Health Plans (RMHP) | Global Payment | People with disabilities and chronic conditions, Adults who qualify for Medicaid on the basis of income, Medicaid and Medicare eligible individuals | 1 |
| 2 | Colorado Access | Global Payment | Patients under the age of 15 years old who are receiving services through the Children’s Hospital Special Care Clinic | 2, 3, 5 |
| 3 | Colorado Access | Global Payment | ACC members assigned to Kaiser Permanente Colorado (KPCO) as Primary Care Medical Provider (PCMP) | 2, 3, 5 |

| | | | | |
|----|--------------------------------------|---------------------------------|--|--------|
| 4 | Colorado Access | Global Payment / Shared Savings | ACC members attributed to Federally Qualified Health Centers (FQHCs) in regions 2, 3 and 5 | 2, 3 5 |
| 5 | Colorado Access | Global Payment | Non-SSI children under the age of 15 years old | 3, 5 |
| 6 | Colorado Access | Global Payment | Current and new Region 5 members | 5 |
| 7 | Integrated Community Health Partners | Global and Alternative Payment | The Aid to Needy and Disabled (AND) members | 4 |
| 8 | Colorado Community Health Alliance | Alternate Payment | All Medicaid recipients | 6 |
| 9 | Community Health Partnership | Shared Savings Pilot | All ACC members | 7 |
| 10 | Community Health Partnership | Episode of Care | All ACC members in region with select diagnoses | 7 |

The letters of intent submitted by the RCCOs presented:

- Five (5) Global Payment pilots.
- Two (2) Global Payment + additional payment reform pilots.
- One (1) Shared Savings pilot.
- One (1) Episode of Care pilot.
- One (1) Alternative pilot.

BACKGROUND

The Department implemented the Accountable Care Collaborative (ACC) Program in May 2011 as a Medicaid system reform. The ACC Program represents a committed effort to transform the Medicaid Program into an integrated system of better care for all its members and to lower costs for the State of Colorado. As of November 1, 2012, 177,691 Medicaid recipients are enrolled as members in the ACC Program, representing approximately 27% of the Medicaid population in Colorado.

For the purpose of the ACC Program, the state is geographically divided into seven regions, each having one Regional Care Collaborative Organization (RCCO) responsible for all of the ACC members in that region. The RCCOs are responsible for provider network development and support, medical management and care coordination for members, and accountability and reporting. The role of PCMPs is to serve as a focal point of care or medical home for ACC clients. Every member should be linked with a PCMP as his or her central point of care.

The ACC Program infrastructure, with its focus on client-centered care and regional solutions, is the vehicle for delivery and payment reforms in Colorado Medicaid. The ACC is a central part of Medicaid reform that changes the incentives and health care delivery processes for providers from one that rewards a high volume of services to one that holds them accountable for health outcomes.

Building on the goals of the ACC Program, the payment reform initiative will further promote accountability at every level and the integration of physical and behavioral health services. This initiative will model a more effective and efficient payment system to guide the future development of Medicaid in Colorado. The goal of the payment reform initiative is to advance the Colorado Medicaid program towards a value-based purchasing system that promotes the delivery of quality care with quality health outcomes and reduces medical services costs.

The RCCOs and other organizations in partnership with RCCOs were solicited by the Department to submit proposals to the Department for evaluation and possible selection. The Department will choose one or more pilot programs no later than July 1, 2013.

DESCRIPTION OF PROPOSED PROJECTS

The RCCOs were required to submit a letter of intent to the Department as an initial step in submitting a proposal. The letters of intent were two page summaries of the full proposals that will be submitted by April 1, 2013. The Department will begin evaluation of the proposed pilots following the April 1, 2013 submission date.

The Department received ten (10) letters of intent from the RCCOs that span all seven regions. The following summaries were extracted from the descriptions contained in the letters of intent and are presented by region.

| 01 RCCO Region 1: Rocky Mountain Health Plans (RMHP) | | |
|--|---|--|
| Payment Proposal Type | Medicaid Population | Region and/or Counties |
| Global Payment | <ul style="list-style-type: none"> • People with disabilities and chronic conditions • Adults who qualify for Medicaid on the basis of income • Medicaid and Medicare eligible individuals | <u>Region 1 – partial:</u> Mesa, Montrose, Delta, Garfield, Gunnison and Rio Blanco counties (potential additional counties to be added based on pending analysis) |
| Summary: | | |
| <p>RMHP proposes global payments, risk and gain-sharing arrangements between the Department and RCCO, which will be implemented to enable payments to providers for value at the point of care. The payments to providers will be designed to ensure: 1) sufficient, non-encounter, non-volume, risk-adjusted reimbursement to give providers the time and capacity needed to perform the activities required for effective integrated care; 2) accountability for the total cost of care; and, 3) a material bonus opportunity for quality improvement.</p> | | |

| 02 RCCO Regions 2, 3, & 5: Colorado Access | | |
|---|---|-------------------------------|
| Payment Proposal Type | Medicaid Population | Region and/or Counties |
| Global Payment | Patients under the age of 15 years old who are receiving services through the Special Care Clinic | Regions 2, 3, and 5 – All |
| Summary: | | |
| <p>Colorado Access and Children's Hospital Colorado are proposing a partnership in which the clinical and service delivery systems are re-invented for a small, tightly defined population of high need, high cost children who receive care in the Children's Special Care Clinic and tend to have multiple specialist, primary care and other provider involvement and high levels of hospital utilization. The innovation of this initiative is to create a payment platform that supports the development of a more streamlined, coordinated, team-based-model of care that increases access to the appropriate levels of outpatient services while decreasing overall hospital utilization and cost of care.</p> | | |

| 03 RCCO Regions 2, 3, & 5: Colorado Access | | |
|---|---|-------------------------------|
| Payment Proposal Type | Medicaid Population | Region and/or Counties |
| Global Payment | Medicaid clients enrolled in RCCO regions 2, 3, and 5 assigned to Kaiser Permanente Colorado (KPCO) as PCMP | Regions 2, 3, and 5 – All |
| Summary: | | |
| <p>Colorado Access and Kaiser Permanente Colorado (KPCO) propose to care for Medicaid clients through a capitated payment methodology and will evaluate the possibility of a risk corridor. This payment structure is meant to support current KPCO policy innovations, including the use of patient registries, transition management, and integrating behavioral health services into primary care.</p> | | |

| 04 RCCO Regions 2, 3, & 5: Colorado Access | | |
|--|--|-------------------------------|
| Payment Proposal Type | Medicaid Population | Region and/or Counties |
| Global Payment / Shared Savings | ACC members attributed to Federally Qualified Health Centers (FQHCs) in regions 2, 3 and 5 | Regions 2, 3, and 5 – All |
| Summary: | | |
| <p>Colorado Access in conjunction with a number of partners proposes a primary care sub-capitation model in which a per-member-per-month rate is developed that is inclusive of the Prospective Payment System (PPS) encounter rate for each Federally Qualified Health Centers (FQHCs) that would be paid for each attributed member. The PCMPs would then be at risk for all primary care services provided to their attributed members (either in their clinic or at another primary care site) and no additional money would be paid for primary care services. Each PCMP would partner with their community mental health partners to develop a model to deliver integrated care at the primary care site and potentially primary care services in behavioral health settings. No additional direct funding would be provided via this model to the behavioral health providers, but each PCMP could make individual arrangements to obtain the necessary services.</p> | | |

| 05 RCCO Regions 3 & 5: Colorado Access | | |
|--|--|---|
| Payment Proposal Type | Medicaid Population | Region and/or Counties |
| Global Payment | Non-SSI children under the age of 15 years old | <u>Regions 3 and 5 – partial:</u> North Aurora & surrounding areas |
| Summary: | | |
| <p>Colorado Access is developing this proposal in conjunction with Children's Hospital Colorado, the</p> | | |

Child Health Clinic, Rocky Mountain Youth, Metro Community Provider Network (MCPN) and other PCMP practices in the North Aurora area. The proposal aims to align Children's inpatient and specialty care with PCMPs to optimize PCMP care and reduce overuse of emergency room and specialists in the north Aurora area.

| 06 RCCO Region 5: Colorado Access | | |
|--|---|-------------------------------|
| Payment Proposal Type | Medicaid Population | Region and/or Counties |
| Global Payment | Current and new Region 5 members including AwDC and dually eligible Medicare and Medicaid beneficiaries | Region 5 – All |
| Summary: | | |
| <p>Colorado Access, in partnership with Denver Health, proposes to develop payment platforms that take into account the total costs of care and include financial risks and rewards based on total costs and clinical outcomes. The proposal will reflect a prospective, per person payment that encompasses a defined set of deliverables and accountabilities.</p> | | |

| 07 RCCO Region 4: Integrated Community Health Partners (ICHP) | | |
|--|---|---|
| Payment Proposal Type | Medicaid Population | Region and/or Counties |
| Global and Alternative Payment | The Aid to Needy and Disabled (AND) members | <u>Region 4 – partial</u> : Crowley, Kiowa, Otero, Bent, Prowers, and Baca counties |
| Summary: | | |
| <p>ICHP is proposing a multi-year transition to a global payment structure for all Medicaid covered services. ICHP proposes that this be a limited-risk arrangement initially, with negotiated risk corridors increasing as the program matures. Additionally, ICHP is proposes phasing in an alternative payment option for ICHP providers participating in the pilot. ICHP will pre-pay these providers using a sub-capitation payment for ambulatory services and care coordination for their AND members. Initially, this will be on a non-risk basis with a quarterly reconciliation. ICHP also proposes to establish an incentive pool paid out of cost savings for achieving certain quality and performance metrics including appropriate utilization of inpatient and long-term care.</p> | | |

| 08 RCCO Region 6: Colorado Community Health Alliance (CCHA) | | |
|--|----------------------------|-------------------------------|
| Payment Proposal Type | Medicaid Population | Region and/or Counties |
| Alternate Payment | All Medicaid recipients | Region 6 – All |
| Summary: | | |
| <p>CCHA proposes an alternate payment option similar to the CMS Innovation Center Pioneer ACO structure, with gain sharing and enhanced risk sharing starting at different points in the pilot period for the broad Medicaid population and targeted Full Benefit Medicare and Medicaid Enrollees (FBMME) segment. CCHA proposes a per member per month payment in the first year to fund these services. In the second year, payment would glide toward shared savings/enhanced risk sharing.</p> | | |

| 09 RCCO Region 7: Community Health Partnership (CHP) | | |
|---|----------------------------|-------------------------------|
| Payment Proposal Type | Medicaid Population | Region and/or Counties |
| Shared Savings | All ACC members in region | Region 7 – All |
| Summary: | | |
| <p>CHP proposes a shared savings pilot to implement new programs including a chronic disease management program, an Emergency Department diversion program, a shared resources program, and a member health assessment program.</p> | | |

| 10 RCCO Region 7: Community Health Partnership (CHP) | | |
|--|---|-------------------------------|
| Payment Proposal Type | Medicaid Population | Region and/or Counties |
| Episode of Care | All ACC members in region with select diagnoses | Region 7 – All |
| Summary: | | |
| <p>CHP proposes an episode of care pilot to implement a chronic disease management program that integrates behavior and physical health care services and will address underlying, non-medical issues that face members with certain chronic diseases.</p> | | |

TIME FRAME FOR IMPLEMENTATION

Full payment pilot proposals are due to the Department by April 1, 2013. The Department will complete its review of the proposals and will select at least one payment pilot proposal for implementation by July 1, 2013. In addition, the RCCOs that submitted proposals not selected will be notified in writing of the decision by July 1, 2013.

The Department will work with the selected pilot or pilots to implement the payment reform project on or before July 1, 2014.

DEFINITIONS

Global payment is in Colorado Revised Statutes §25.5-5-403(2.5) as “a population-based payment mechanism that is constructed on a per member per month calculation. Global payments shall account for prospective local community or health system cost trends and value, as measured by quality and satisfaction metrics, and shall incorporate community cost experience and reported encounter data to the greatest extent possible to address regional variation and improve longitudinal performance. Risk adjustments, risk-sharing, and aligned payment incentives may be utilized to achieve performance improvement. The rate calculations for global payment are exempt from the provisions of Section 25.5-5-408. An entity that uses global payment pursuant to Section 25.5-5-404 shall meet the applicable financial solvency requirements of Section 25.5-5-404(1)(k) and (1)(l), and the essential community provider requirements of Section 25.5-5-404(2) and (3).

- **Short Definition:** Global payments are fixed-dollar payments for the care that patients may receive in a given time period, such as a month or year. Global payments place providers at financial risk for both the occurrence of medical conditions as well as the management of those conditions.
- **Intended Effects:** Global payments are intended to contain costs and reduce the use of unnecessary services, and encourage integration and coordination of services. Global payment may also include added incentives to improve the quality of care.

Episode of Care is a payment methodology that bundles payment and reimburses one or more providers for multiple services related to a defined episode of care. The bundled payment amount is a target price that may be discounted from the combined fee-for-service rates for individual services included in the bundle. Bundled payment methods may be retrospective or prospective, and may utilize risk adjustments, risk-sharing/risk corridors, reconciliation, and/or shared savings.

Shared Savings is a payment strategy that offers incentives for entities to reduce health care spending for a defined patient population by offering them a percentage of any net savings realized as a result of their efforts.

Figure 1.

Colorado's Accountable Care Collaborative Regional Care Collaborative Organization Map

