COLORADO
Department of Health Care Policy & Financing

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

November 1, 2018

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 as directed by SB18-266 – Controlling Medicaid Costs.

Section 25.5-4-402 (4)(d)(III), C.R.S. requires that "the state department shall provide a report to the joint budget committee by November 1, 2018, on the status of implementation of the hospital review program. The report must include the comments received as part of the stakeholder process described in subsection (4)(d)(I) of this section and a description of, and any available results from, the testing process described in subsection (4)(d)(II) of this section."

Section 25.5-4-422 (5), C.R.S. requires that "by November 1, 2018, the state department shall provide a report to the joint budget committee concerning: the feedback received pursuant to subsection (4)(b) of this section; the timelines for implementation of any cost-control measures enacted pursuant to this section; and a description of the expected impact on recipients and recipients' health outcomes and how the state department plans to measure the effect on recipients."

This year's report highlights the initial progress made on implementation of SB18-266, including creation of a Cost Control and Quality Improvement Office, provider tools, increasing claims efficiency and design of the Inpatient Hospital Review Program.

If you require further information or have additional questions, please contact the Department's Legislative Liaison, David DeNovellis, at David.DeNovellis@state.co.us or 303-866-6912.

Sincerely,

Kim Bimestefer
Executive Director

KB/SZ

Enclosure(s): HCPF 2018 Controlling Medicaid Costs 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
John Ziegler, Staff Director, JBC
Eric Kurtz, JBC Analyst
Lauren Larson, Director, Office of State Planning and Budgeting
Katie Quinn, Budget Analyst, Office of State Planning and Budgeting
Legislative Council Library
State Library
John Bartholomew, Finance Office Director, HCPF
Laurel Karabatsos, Health Programs Office Director & Interim Medicaid Director, HCPF
Tom Massey, Policy, Communications, and Administration Office Director, HCPF
Bonnie Silva, Community Living Interim Office Director, HCPF
Chris Underwood, Health Information Office Director, HCPF
Stephanie Ziegler, Cost Control & Quality Improvement Office Director, HCPF
Rachel Reiter, External Relations Division Director, HCPF
David DeNovellis, Legislative Liaison, HCPF

Controlling Medicaid Costs Annual Report

Contents

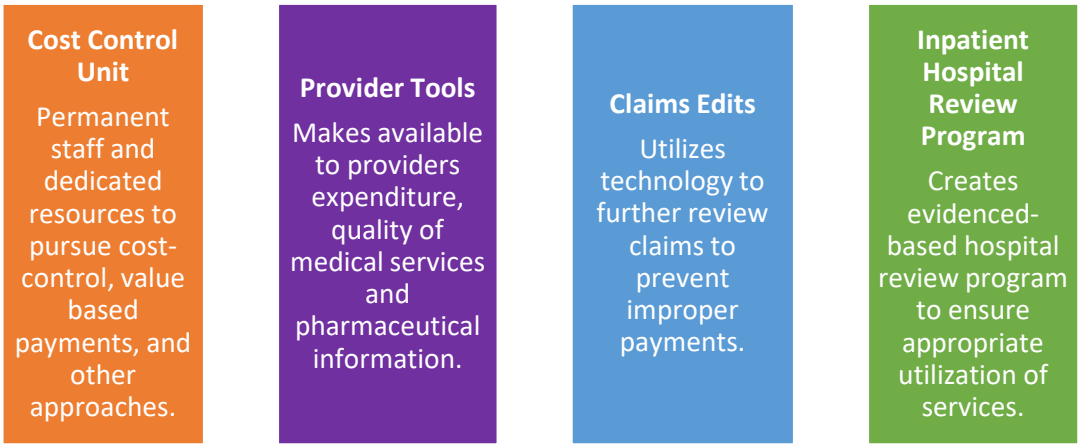
COLORADO
Department of Health Care Policy & Financing

I. INTRODUCTION

The Cost Control and Quality Improvement Office in the Department of Health Care Policy and Financing (the Department) was established July 1, 2018 by Senate Bill 18-266, Controlling Medicaid Costs. This bill passed the House and Senate with unanimous support to enable the Department to control costs more effectively within Health First Colorado, Child Health Plan Plus (CHP+) and its other programs. Creation of the Cost Control and Quality Improvement Office will lead to strategic development of a targeted, consistent and comprehensive cost control approach to better managing the $10.1 billion spend, reflecting 33% of the State's budget.

The Department recognizes the need to continually reduce inefficiencies and drive claims costs down while, improving health and quality, better serving our changing Medicaid population, and preparing for economic downturns or potential budget impacts coming from the federal government. The office will create a dedicated unit to prepare and implement a coordinated roadmap to control costs through policies, strategies and initiatives. The team will identify opportunities for savings based on best-in-class programs, approaches, innovations and payment structures. Areas of focus, based on Senate Bill 18-266, are illustrated in Figure 1, below:

Figure 1: Claims Control Budget Request Areas of Focus



An office director was hired August 1, 2018 and has been onboarded successfully. Additional positions are working through the human resources process to fully staff the Cost Control and Quality Improvement Office during the fall of 2018.

II. COST CONTROL STRATEGIES

A. OVERVIEW OF NEW INITIATIVES

Under SB 18-266, Controlling Medicaid Costs, the Department must provide information to providers participating in the Accountable Care Collaborative (ACC) regarding the cost and quality of medical services provided by hospitals and Medicaid providers, as well as the cost and quality of available pharmaceuticals prescribed by Medicaid providers. The Department is in the process of rolling out a suite of powerful cost and quality assessment capabilities to the seven Regional Accountable Entities (RAEs), hospitals and primary care providers.

The Department will leverage internal work products to provide cost and quality tools for medical services and purchase similar tools for pharmacy cost and quality information. These resources will allow providers to make cost-conscious decisions without sacrificing member safety or clinical efficacy. The Department will also create usable information from claims data that providers can use to connect Medicaid members to primary care providers, specialists, hospitals and other providers. The Department will teach and train RAEs, physicians and their staffs to use the tools to create maximum value.

Provider Services Expenditure and Quality Tool

The Provider Services Expenditure and Quality Tool will separate typical costs from costs related to potentially avoidable complications (PACs). PACs are deficiencies in care that cause harm to patients, and account for a significant percentage of spending on chronic conditions, acute hospitalizations and procedures. The Department will build an ongoing cost and quality dashboard to identify areas to potentially reduce spending and improve care. One version will be available to hospitals and another to RAEs and primary care medical providers. The tool can:

- Enable providers to improve referral patterns towards more cost effective, higher quality physicians and hospitals;
- Enable hospitals to identify and self-correct inefficient, lower quality care delivery; and
- Allow RAEs to target members for care management.

Pharmaceutical Expenditure and Quality Tool

The Pharmaceutical Expenditure and Quality Tool, to be purchased through a commercial vendor, will help guide more efficient physicians' prescribing practices by providing them with drug formulary, drug cost and member health information *at the point-of-care*. The tool will also enable comparison of prescribing behavior to best practices and identification of clinical variability, particularly over-prescribing, to improve prescribing practices by physician over the long term.

Increase Claims Payment Efficiency

The Controlling Medicaid Costs bill funds additional technology and resources to enhance the Department's ability to identify and deny overbilling or combinations of claims codes that would otherwise create overpayment. Through the current contract with DXC Technology, the Department will execute an option to implement a commercial technology provided by Change Healthcare called ClaimsXten to fulfil this requirement. This claims editing technology will automate and increase accuracy of claims processing by augmenting industry recognized edits based on a robust library of clinical guidelines from the American Medical Association, the Centers for Medicare & Medicaid Services (CMS) and various medical specialty societies. The technology is widely accepted in the commercial market and is growing in the Medicaid market to reduce inefficiencies and generate associated savings.

B. STAKEHOLDER FEEDBACK SUMMARY

The Department is developing plans for opportunities, feedback and recommendations from members, providers and other stakeholders as applicable for the various cost control initiatives included in the Cost Control Bill, as directed. The new Office Director has held initial meetings with member advocates, Regional Accountable Entities, Case Managers and will be meeting with other stakeholders. The Department is utilizing a new webpage[1] dedicated specifically to Controlling Medicaid Costs, SB 18-266, implementation to post updates, stakeholder engagement opportunities and any trainings or education materials as they are developed. The Department will utilize a variety of methods to engage stakeholders, update partners and deliver program trainings such as in person meetings, e-newsletters, live and recorded webinars and creation of various materials on program changes.

C. TIMELINES FOR IMPLEMENTATION

Provider Tools

The provider services tool to RAEs and PCMPs will be made available in December 2018. The tool for hospitals will be available during the same period. Both provider services tools are planned to have iterative improvements over time as providers learn to use the data and the Department receives feedback on what enhancements should be made to increase automation of the tools and improve care coordination for members. Numerous market presentations on these new tools are already occurring.

For the pharmacy tool, the request for information (RFI) draft has received stakeholder input and the RFI will be posted by November 1, 2018 with a request for proposal expected to be posted in early 2019.

[1] Colorado.gov/hcpf/controlling-medicaid-costs-initiatives

Increase Claims Payment Efficiency

The claims review project will employ several iterative project phases. As part of the planning phase of this project, the Department had the vendor process production claims through the claims editing solution and provide a preliminary cost savings analysis based on potential rules that can be implemented. The Department reviewed the initial result during a meeting on September 17, 2018. The Department will continue to vet the results of the preliminary analysis to determine what rules are appropriate based on state regulations and payment policies. The initial planning and review will allow us to develop a clear project scope for the iterative phases. In addition, the Department has also kicked off a project to review all the claim edits currently in the claims processing system. The project team meets bi-weekly to review claim edits to ensure that the current edits are set correctly and are processing claims accurately according to our regulations, payment and billing processes.

D. MEMBER IMPACTS & MEASUREMENT

Provider Tools

The Department's goal is that 80 percent of Colorado hospitals and all seven RAEs will be aware of the new tools and beginning to successfully use the provider tools by June 30, 2019. This will allow the Department to drive efficiencies in our medical programs, while RAEs, primary care medical providers (PCMPs) and other providers are able to coordinate care for the highest utilizing members more effectively. Both will improve patient outcomes and customer satisfaction with the Medicaid program as members begin to experience improved quality of care from more highly performing providers, supported through greater engagement and support from RAE care coordinators.

Increase Claim Payment Efficiency

The implementation of additional commercial technology will increase our payment accuracy and drive value by ensuring the system is constantly updated to reflect best payment practices as defined by the health care community including CMS, the American Medical Association and specialty medical societies. Reviewing and processing claims in accordance with these best practices will also reduce inappropriate, ineffective care going forward, which will improve quality of care provided to members. Once implemented, the Department will have monthly reporting on the number of claims or the number of lines on a claim that were denied because of this editing, which will allow it to estimate the savings.

III. HOSPITAL REVIEW PROGRAM

E. OVERVIEW OF PROGRAM

Under the Controlling Medicaid Costs Bill, the Department was charged with designing and implementing an evidence-based Hospital Review program to ensure that the utilization of hospital services is based on evidence-based medicine and that features be incorporated into this new program to improve the care coordination received by our most vulnerable members as they are discharged out of the hospital. This program directly focuses on the Department's most costly service line and our most costly, vulnerable members in a member-friendly way through an approach that provides members with timely access to appropriate medical care.

Consistent with federal regulations, the scope of the Inpatient Hospital Review Program, will include industry standard review processes with data output to RAEs, who coordinate member care and provide member support. Improved information to RAE care managers will allow for more efficient and impactful care coordination. The review processes include:

- **Preadmission certification** including preauthorization for planned, elective, urgent/emergent, holiday or weekend admissions with guidance on length of stay and care settings.

- **Continued Stay, Transfer Planning or Discharge Planning Patient Care Coordination** including review of authorized admissions with greater than a four-day length of stay to ensure there are no early discharges that might potentially result in readmissions or inappropriate medical services.

- **Retrospective Claims Reviews** including review of clinical documentation to ensure the appropriateness of medical necessity for certain claims.

The Inpatient Hospital Review program will always consider certain factors in any coverage determination, including:

- Information provided, diagnosis and treatment recommended by the treating provider(s);

- Evidence-based clinical coverage criteria and recipient coverage guidelines established by the Department, which relies on nationally accepted clinical standards that align with national practice guidelines; and

- Nationally recognized utilization and technology assessment guidelines and industry standard criteria as appropriate, based on a comprehensive literature review of the clinical evidence. Sources include:

    - The Agency for Healthcare Research and Quality (AHRQ)

    - Comparative Effectiveness Reviews

    - National Institute for Health and Care Excellence (NICE)

    - The Centers for Medicare and Medicaid Services (CMS)

    - The Joint Commission.

Other medical literature databases, medical content providers, data sources, regulatory body websites, and specialty society resources may also be utilized.

The Inpatient Hospital Review Program will provide daily data feeds to RAEs, highlighting opportunities for discharge planning care coordination and case management for patients who are at risk for re-admission and in need of care transition support. In addition to immediate care coordination support, the program data will allow the RAEs to invite patients with chronic disease exacerbation into population health and disease management programs. Goals of the program include:

- Improve members' quality of care
- Facilitate better care planning and inpatient care transitions
- Ensure appropriate hospitalizations
- Improve service utilization
- Improve coding accuracy
- Provide timely, accurate information and tools to partners who can directly assist members with highest needs

The results of the program will be tracked based on savings directly generated by the preadmission certifications authorization and retrospective claims review. The vendor will provide an annual report on savings. Additionally, trends in readmission rates, emergency room utilization and appropriate care transitions will be tracked and improved with increased coordination with the RAEs. The Department will employ continuous quality improvements as additional opportunities in cost control and quality of care are identified.

F. STATUS OF IMPLEMENTATION

The Inpatient Hospital Review Program implementation planning and stakeholder outreach has begun with a goal implementation date in January 2019.

G. STAKEHOLDER OUTREACH SUMMARY

The Department is required to provide or allow members, providers and other stakeholders an opportunity to comment on changes. The Department has developed an Inpatient Hospital Review Program Communication Plan and is posting all stakeholder updates and other materials on the Controlling Medicaid Costs Initiatives webpage. As directed by the bill, the opportunities for stakeholder review and input are designed to reach four audiences:

1. Advocates and Members
2. Providers (hospitals, hospital and medical associations)
3. Accountable Care Collaborative (ACC) Regional Accountable Entities (RAEs)
4. Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) Board

Advocates and Members

Meetings with recipients and advocates are being planned with in-person and webinar options to review the Inpatient Hospital Review Program, provide education on clinical criteria and determination processes, and illustrate how the review program will improve patient care. The meeting materials and feedback will be posted on the Controlling Medicaid Costs Initiatives webpage.

The Department received initial feedback from both the in person and virtual Member Experience Advisory Committees in September and October 2018 related to the content of member letters about the new program. The Department has incorporated this member feedback into the development of the letters. The Department held a meeting with member advocates in October 2018, materials from these meetings will be posted on online.

Providers (hospitals, hospital and medical association)

Two types of meetings are planned to date.

- The first, an in-person kickoff to provide an overview of the testing and training plans with a limited group of hospitals that will test connectivity and workability of electronic interfaces. The group of hospitals represent urban, rural and, critical access facilities. Note that the existing electronic data transmission tools for this program are already being used by all but one Colorado hospital (a critical access hospital).
- A second meeting with the larger provider community (in-person and webinar options) will review the hospital review program goals and outcomes (implications for care coordination, health outcomes and readmission rates) as well as training opportunities.

These meetings are being planned for the fall 2018, materials and feedback will be posted on the Controlling Medicaid Costs Initiatives webpage.

Accountable Care Collaborative Regional Accountable Entities

An initial stakeholder comment opportunity was presented at the September 11, 2018 Regional Accountable Entity (RAE) meeting. The presentation materials and minutes prepared by Department staff have been posted to the Controlling Medicaid Costs Initiatives stakeholder webpage available at www.colorado.gov/hcpf/controlling-medicaid-costs-initiativeswebsite.

The Department's utilization management vendor participated in the overview and was on hand to receive stakeholder input. Themes in attendee feedback included:

- RAEs believe the major benefit of the Hospital Review Program will be more, better and timely information to enable prioritized care management.
- RAEs want to understand what the data feeds look like so they can prepare their systems.
- RAEs expressed concern about federal regulations that hinder care coordination for substance use disorder (SUD) and behavioral health.
- RAEs asked that prioritization for care coordination included members with complex behavioral and physical health including polypharmacy.
- RAEs asked for updated member contact information on data feeds.
- RAEs described their current care coordination/data sharing goals and highlighted areas where the new data will be helpful.

Ongoing dialogue pre- and post-implementation will include:

- Sharing the report layout/data specifications
- Providing estimated patient counts per day to RAEs
- Returning to another implementation meeting to gather additional feedback
- Sharing information at RAE Cost Collaborative forums

CHASE Board

Department leadership provided an update on the cost control office at the August 2018 CHASE board meeting. Staff will update the CHASE Board on Inpatient Hospital Review Program implementation at future board meetings.

H. CONNECTIVITY TESTING PLANS

Because the Department engaged its current utilization management vendor to implement the Hospital Review Program, nearly all of Colorado hospitals involved with Medicaid are already integrated with the utilization management portal for inpatient hospital review, which reduces implementation risk compared to a new vendor.

A detailed connectivity testing and training plan has been developed and is posted on our implementation website.

Hospitals volunteered to participate in testing of connectivity to electronic interfaces for the Hospital Review Program, which represent urban and rural hospitals, including one critical access hospital. In October, the Department and its utilization management vendor will outreach to these hospitals and arrange in person meetings to review the Hospital Review Program requirements, demonstrate the portal, and provide cases for hospitals to test.

Training

In November and December, training will be offered to all Colorado hospitals with regional meetings throughout the state as well as live and recorded webinar training. The Department will also create and distribute fact sheets and post them to our website.

Hospitals connectivity results summary

Pilot hospital results will be reported at the conclusion of the test and posted to Controlling Medicaid Costs Initiatives webpage.