

Second Regular Session
Sixty-eighth General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 12-0370.02 Brita Darling x2241

HOUSE BILL 12-1281

HOUSE SPONSORSHIP

Young, Ferrandino, Fields, Kefalas, Kerr A., McCann, Peniston, Schafer S.

SENATE SPONSORSHIP

(None),

House Committees

Health and Environment

Senate Committees

A BILL FOR AN ACT

101 CONCERNING A PILOT PROGRAM ESTABLISHING NEW PAYMENT
102 METHODOLOGIES IN MEDICAID.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billssummaries>.)

The bill directs the department of health care policy and financing (state department) to facilitate collaboration among medicaid providers, clients, advocates, and payors that is designed to improve health outcomes and patient satisfaction and support the financial sustainability of the medicaid program. The executive director of the state department

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

may promulgate rules relating to the collaborative process.

The bill creates the medicaid payment reform and innovation pilot program (pilot program) in the state department for the purpose of implementing payment reform projects in medicaid within the framework of the accountable care collaborative. Regional care collaborative organizations (RCCOs) may submit payment proposals to the state department for the pilot program. A RCCO shall work with providers and managed care entities in the RCCO to develop the payment project. Payment projects may include but are not limited to global payments, risk adjustment, risk sharing, and aligned payment incentives. The state department shall select payment projects for inclusion in the pilot program based upon certain criteria and shall give preference to those payment projects that propose global payments. The state department shall respond to RCCOs concerning payment projects that are not selected for the pilot program, stating the reason why the payment projects were not selected and shall copy the response to certain committees of the general assembly. Payment projects shall be implemented for 2 to 5 years, and certain provisions apply to payments under the pilot program. The state department shall seek any federal authorization necessary to implement the pilot program. The state department shall report to certain committees of the general assembly concerning the design, implementation, and outcome of the pilot program.

The bill requires the state department to report concerning the state department's recommendations for streamlining and simplifying the administrative structure for managing contracts relating to medicaid managed care.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, **add** 25.5-1-205 as
3 follows:

4 **25.5-1-205. Providing for the efficient provision of health care**
5 **through state-supervised cooperative action - rules.** (1) COOPERATION
6 AMONG HEALTH CARE PAYORS, INCLUDING BOTH PRIVATE SECTOR
7 ENTITIES AND FEDERAL AND STATE-ADMINISTERED HEALTH CARE
8 PROGRAMS, HAS THE POTENTIAL TO ELIMINATE NEEDLESS AND COSTLY
9 COMPLEXITY IN THE ADMINISTRATION OF THE PROGRAMS AND TO BENEFIT
10 PATIENTS, PAYORS, AND THE GOVERNMENT. FURTHER, ALIGNMENT OF

1 FINANCIAL INCENTIVES AMONG PRIVATE AND PUBLIC ENTITIES MAY
2 ACCELERATE AND REINFORCE IMPROVEMENTS IN HEALTH CARE QUALITY
3 AND PATIENT OUTCOMES.

4 (2) THE EXECUTIVE DIRECTOR SHALL FACILITATE DEPARTMENTAL
5 OVERSIGHT OF COLLABORATION AMONG PROVIDERS, MEDICAID CLIENTS
6 AND ADVOCATES, AND PAYORS THAT IS DESIGNED TO IMPROVE HEALTH
7 OUTCOMES AND PATIENT SATISFACTION AND SUPPORT THE FINANCIAL
8 SUSTAINABILITY OF THE MEDICAID PROGRAM.

9 (3) THE EXECUTIVE DIRECTOR MAY PROMULGATE RULES RELATING
10 TO THE COLLABORATIVE PROCESS SET FORTH IN THIS SECTION.

11 **SECTION 2.** In Colorado Revised Statutes, **add** 25.5-5-415 and
12 25.5-5-416 as follows:

13 **25.5-5-415. Medicaid payment reform and innovation pilot**
14 **program - legislative declaration - definitions - creation - selection of**
15 **payment projects - report - rules.** (1) (a) THE GENERAL ASSEMBLY
16 FINDS THAT:

17 (I) INCREASING HEALTH CARE COSTS IN COLORADO'S MEDICAID
18 PROGRAM CREATES CHALLENGES FOR THE STATE'S BUDGET. FURTHER, THE
19 INCREASING HEALTH CARE COSTS DO NOT NECESSARILY REFLECT
20 IMPROVEMENTS IN EITHER HEALTH OUTCOMES FOR PATIENTS OR IN
21 PATIENT SATISFACTION WITH THE CARE RECEIVED;

22 (II) MOREOVER, THE FEE-FOR-SERVICE PAYMENT MODEL MAY NOT
23 SUPPORT OR ALIGN FINANCIALLY WITH EVOLVING CARE COORDINATION
24 AND DELIVERY SYSTEMS;

25 (III) THE REFORM OF MEDICAID PAYMENT POLICIES OFFERS A
26 SIGNIFICANT OPPORTUNITY FOR THE STATE TO CONTAIN COSTS AND
27 IMPROVE QUALITY;

1 (IV) NEW PAYMENT METHODOLOGIES, INCLUDING GLOBAL
2 PAYMENTS, HAVE BEEN DEVELOPED TO RESPOND TO RISING COSTS AND THE
3 COMPLEXITIES OF HEALTH CARE DELIVERY. OPPORTUNITIES NOW EXIST TO
4 EXPLORE, TEST, AND IMPLEMENT SUCH PAYMENT REFORMS IN THE
5 MEDICAID PROGRAM.

6 (V) THE STATE DEPARTMENT SHOULD EXPLORE HOW THESE NEW
7 PAYMENT METHODOLOGIES MAY RESULT IN IMPROVED HEALTH OUTCOMES
8 AND PATIENT SATISFACTION AND SUPPORT THE FINANCIAL SUSTAINABILITY
9 OF THE MEDICAID PROGRAM.

10 (b) THEREFORE, THE GENERAL ASSEMBLY DECLARES THAT
11 COLORADO SHOULD BUILD UPON ONGOING REFORMS OF HEALTH CARE
12 DELIVERY IN THE MEDICAID PROGRAM BY IMPLEMENTING A PILOT
13 PROGRAM WITHIN THE STRUCTURE OF THE ACCOUNTABLE CARE
14 COLLABORATIVE THAT ENCOURAGES THE USE OF NEW AND INNOVATIVE
15 PAYMENT METHODOLOGIES, INCLUDING GLOBAL PAYMENTS.

16 (2) AS USED IN THIS SECTION, UNLESS THE CONTEXT OTHERWISE
17 REQUIRES:

18 (a) "ACCOUNTABLE CARE COLLABORATIVE", REFERRED TO IN THIS
19 SECTION AS THE "ACC", MEANS A REGIONALLY BASED DELIVERY SYSTEM
20 DESIGNED TO PROVIDE INTEGRATED AND COORDINATED CARE TO
21 MEDICAID CLIENTS TO IMPROVE CLIENT HEALTH AND REDUCE COSTS.

22 (b) "PILOT PROGRAM" MEANS THE MEDICAID PAYMENT REFORM
23 AND INNOVATION PILOT PROGRAM CREATED PURSUANT TO SUBSECTION (3)
24 OF THIS SECTION.

25 (c) "REGIONAL CARE COLLABORATIVE ORGANIZATION", REFERRED
26 TO IN THIS SECTION AS A "RCCO", MEANS A REGIONAL ENTITY THAT
27 PROVIDES FOR THE COORDINATION AND INTEGRATION OF CARE WITHIN THE

1 ACC FRAMEWORK AND IS CONTRACTED WITH THE STATE DEPARTMENT
2 THROUGH COMPETITIVE PROCUREMENT.

3 (3) (a) THERE IS HEREBY CREATED THE MEDICAID PAYMENT
4 REFORM AND INNOVATION PILOT PROGRAM FOR PURPOSES OF FOSTERING
5 THE USE OF INNOVATIVE PAYMENT METHODOLOGIES IN THE MEDICAID
6 PROGRAM THAT ARE DESIGNED TO PROVIDE GREATER VALUE WHILE
7 ENSURING GOOD HEALTH OUTCOMES AND CLIENT SATISFACTION.

8 (b) (I) THE STATE DEPARTMENT SHALL CREATE A PROCESS FOR
9 INTERESTED RCCOs TO SUBMIT PAYMENT PROJECTS FOR CONSIDERATION
10 UNDER THE PILOT PROGRAM. PAYMENT PROJECTS SUBMITTED PURSUANT
11 TO THE PILOT PROGRAM MAY INCLUDE, BUT NEED NOT BE LIMITED TO,
12 GLOBAL PAYMENTS, RISK ADJUSTMENT, RISK SHARING, AND ALIGNED
13 PAYMENT INCENTIVES TO ACHIEVE IMPROVED QUALITY AND TO CONTROL
14 COSTS.

15 (II) THE DESIGN OF THE PAYMENT PROJECT OR PROJECTS SHALL
16 ADDRESS THE CLIENT POPULATION OF THE RCCO AND BE TAILORED TO
17 THE REGION'S HEALTH CARE NEEDS AND THE RESOURCES OF THE RCCO.

18 (III) A RCCO SHALL WORK IN COORDINATION WITH THE
19 PROVIDERS AND MANAGED CARE ENTITIES CONTRACTED WITH THE RCCO
20 IN DEVELOPING THE PAYMENT PROJECT OR PROJECTS.

21 (c) (I) ON OR BEFORE APRIL 1, 2013, THE STATE DEPARTMENT
22 SHALL COMPLETE ITS REVIEW OF PAYMENT PROJECTS AND SHALL SELECT
23 PAYMENT PROJECTS TO BE INCLUDED IN THE PILOT PROGRAM. IN
24 SELECTING PAYMENT PROJECTS FOR INCLUSION IN THE PILOT PROGRAM,
25 THE STATE DEPARTMENT SHALL GIVE PREFERENCE TO PAYMENT PROJECTS
26 THAT PROPOSE A GLOBAL PAYMENT METHODOLOGY.

27 (II) FOR PURPOSES OF SELECTING PAYMENT PROJECTS FOR THE

1 PILOT PROGRAM, THE STATE DEPARTMENT SHALL CONSIDER, AT A
2 MINIMUM:

3 (A) THE LIKELY EFFECT OF THE PAYMENT PROJECT ON QUALITY
4 MEASURES, HEALTH OUTCOMES, AND CLIENT SATISFACTION;

5 (B) THE POTENTIAL OF THE PAYMENT PROJECT TO REDUCE THE
6 STATE'S MEDICAID EXPENDITURES;

7 (C) THE OVERALL GOALS OF THE ACC AND THE ALIGNMENT OF
8 THE PAYMENT PROJECT WITH THOSE GOALS;

9 (D) THE CLIENT POPULATION SERVED BY THE RCCO AND THE
10 PARTICULAR HEALTH NEEDS OF THE REGION;

11 (E) THE BUSINESS STRUCTURE OR STRUCTURES LIKELY TO FOSTER
12 COOPERATION, COORDINATION, AND ALIGNMENT AND THE ABILITY OF THE
13 RCCO TO IMPLEMENT THE PAYMENT PROJECT, INCLUDING THE
14 RESOURCES AVAILABLE TO THE RCCO AND THE TECHNOLOGICAL
15 INFRASTRUCTURE REQUIRED; AND

16 (F) THE ABILITY OF THE RCCO TO COORDINATE AMONG
17 PROVIDERS OF PHYSICAL HEALTH CARE, BEHAVIORAL HEALTH CARE, ORAL
18 HEALTH CARE, AND THE SYSTEM OF LONG-TERM CARE SERVICES AND
19 SUPPORTS.

20 (III) FOR PAYMENT PROJECTS NOT SELECTED BY THE STATE
21 DEPARTMENT, THE STATE DEPARTMENT SHALL RESPOND TO THE RCCO, IN
22 WRITING, ON OR BEFORE APRIL 1, 2013, STATING THE REASON OR REASONS
23 WHY THE PAYMENT PROJECT WAS NOT SELECTED. THE STATE DEPARTMENT
24 SHALL SEND A COPY OF THE RESPONSE TO THE JOINT BUDGET COMMITTEE
25 OF THE GENERAL ASSEMBLY, THE HEALTH AND HUMAN SERVICES
26 COMMITTEE OF THE SENATE, OR ANY SUCCESSOR COMMITTEE, AND THE
27 HEALTH AND ENVIRONMENT COMMITTEE OF THE HOUSE OF

1 REPRESENTATIVES, OR ANY SUCCESSOR COMMITTEE.

2 (d) (I) THE PAYMENT PROJECTS SELECTED FOR THE PROGRAM
3 SHALL BE FOR A PERIOD OF TWO TO FIVE YEARS, AND THE PROVIDER
4 CONTRACT SHALL SPECIFY THE PAYMENT METHODOLOGY UTILIZED IN THE
5 PAYMENT PROJECT.

6 (II) THE REQUIREMENTS OF SECTION 25.5-5-408 DO NOT APPLY TO
7 THE RATE-CALCULATION PROCESS FOR PAYMENTS MADE TO MCEs
8 PURSUANT TO THIS SECTION.

9 (III) MCEs PARTICIPATING IN THE PILOT PROGRAM ARE SUBJECT
10 TO THE REQUIREMENTS OF SECTION 25.5-5-404 (1) (k) AND (1) (l), AS
11 APPLICABLE.

12 (IV) PAYMENTS MADE TO MCEs UNDER THE PILOT PROGRAM
13 SHALL ACCOUNT FOR PROSPECTIVE, LOCAL COMMUNITY OR HEALTH
14 SYSTEM COST TRENDS AND VALUES, AS MEASURED BY QUALITY AND
15 SATISFACTION MEASURES, AND SHALL INCORPORATE COMMUNITY COST
16 EXPERIENCE AND REPORTED ENCOUNTER DATA TO THE EXTENT POSSIBLE
17 TO ADDRESS REGIONAL VARIATION AND IMPROVE LONGITUDINAL
18 PERFORMANCE.

19 (V) NOTWITHSTANDING ANY PROVISIONS OF THIS SECTION OR
20 STATE BOARD RULES TO THE CONTRARY, IT IS THE INTENT OF THE GENERAL
21 ASSEMBLY THAT TOTAL PAYMENTS, ADJUSTMENTS, AND INCENTIVES WILL
22 BE BUDGET-NEUTRAL WITH RESPECT TO STATE EXPENDITURES. THE STATE
23 DEPARTMENT SHALL NOT ENTER INTO A CONTRACT WITH A PROVIDER
24 PURSUANT TO THIS SECTION IF THE STATE DEPARTMENT ESTIMATES THAT
25 TOTAL PAYMENTS TO THE PROVIDER WILL BE GREATER THAN WITHOUT THE
26 CONTRACT.

27 (4) PILOT PROGRAM PARTICIPANTS SHALL PROVIDE DATA AND

1 INFORMATION TO THE STATE DEPARTMENT AND ANY DESIGNATED
2 EVALUATOR CONCERNING HEALTH OUTCOMES, COST, PROVIDER
3 PARTICIPATION AND SATISFACTION, CLIENT SATISFACTION, AND ANY
4 OTHER DATA AND INFORMATION NECESSARY TO EVALUATE THE EFFICACY
5 OF THE PAYMENT METHODOLOGY.

6 (5) (a) THE STATE DEPARTMENT SHALL SUBMIT A REPORT TO THE
7 JOINT BUDGET COMMITTEE OF THE GENERAL ASSEMBLY, THE HEALTH AND
8 HUMAN SERVICES COMMITTEE OF THE SENATE, OR ANY SUCCESSOR
9 COMMITTEE, AND THE HEALTH AND ENVIRONMENT COMMITTEE OF THE
10 HOUSE OF REPRESENTATIVES, OR ANY SUCCESSOR COMMITTEE, AS
11 FOLLOWS:

12 (I) ON OR BEFORE SEPTEMBER 15, 2013, CONCERNING THE DESIGN
13 AND IMPLEMENTATION OF THE PILOT PROGRAM, INCLUDING A DESCRIPTION
14 OF THE PAYMENT PROJECTS SELECTED AND THE TIME FRAME FOR
15 IMPLEMENTATION;

16 (II) ON OR BEFORE SEPTEMBER 15, 2014, CONCERNING THE PILOT
17 PROGRAM AS IMPLEMENTED, INCLUDING BUT NOT LIMITED TO AN ANALYSIS
18 OF THE INITIAL DATA AND INFORMATION CONCERNING THE UTILIZATION OF
19 THE PAYMENT METHODOLOGY, QUALITY MEASURES, AND THE IMPACT OF
20 THE PAYMENT METHODOLOGY ON HEALTH OUTCOMES, COST, PROVIDER
21 PARTICIPATION AND SATISFACTION, AND PATIENT SATISFACTION; AND

22 (III) ON OR BEFORE SEPTEMBER 15, 2015, AND EACH SEPTEMBER
23 15 THAT THE PROGRAM IS BEING IMPLEMENTED, CONCERNING THE
24 PROGRAM AS IMPLEMENTED, INCLUDING BUT NOT LIMITED TO AN ANALYSIS
25 OF THE DATA AND INFORMATION CONCERNING THE UTILIZATION OF THE
26 PAYMENT METHODOLOGY, INCLUDING AN ASSESSMENT OF HOW THE
27 PAYMENT METHODOLOGY DRIVES PROVIDER PERFORMANCE AND

1 PARTICIPATION AND THE IMPACT OF THE PAYMENT METHODOLOGY ON
2 QUALITY MEASURES, HEALTH OUTCOMES, COST, PROVIDER SATISFACTION,
3 AND PATIENT SATISFACTION, COMPARING THOSE OUTCOMES ACROSS ALL
4 PATIENTS UTILIZING EXISTING STATE DEPARTMENT DATA.

5 (b) FOR PURPOSES OF EVALUATING THE PILOT PROGRAM AND
6 PAYMENT METHODOLOGIES, THE STATE DEPARTMENT MAY COLLABORATE
7 WITH A NONPROFIT ENTITY OR AN INSTITUTION OF HIGHER EDUCATION TO
8 ANALYZE AND VERIFY DATA AND INFORMATION RECEIVED FROM PILOT
9 PARTICIPANTS AND TO EVALUATE QUALITY MEASURES AND THE COST
10 EFFECTIVENESS OF THE PAYMENT REFORMS.

11 (6) THE STATE DEPARTMENT SHALL SEEK ANY FEDERAL
12 AUTHORIZATION NECESSARY TO IMPLEMENT THE PILOT PROGRAM.

13 (7) THE STATE DEPARTMENT MAY PROMULGATE ANY RULES
14 NECESSARY TO IMPLEMENT THE PILOT PROGRAM.

15 **25.5-5-416. Report concerning efficient contracting in**
16 **managed care - legislative declaration - repeal.** (1) THE GENERAL
17 ASSEMBLY FINDS AND DECLARES THAT THE STATE DEPARTMENT
18 ADMINISTERS A WIDE VARIETY OF CONTRACTS THAT ARE AUTHORIZED
19 PURSUANT TO THIS PART 4. EACH CONTRACT REQUIRES A SEPARATE
20 ADMINISTRATIVE INFRASTRUCTURE AND THE COMMITMENT OF STATE
21 DEPARTMENT RESOURCES. STREAMLINING AND SIMPLIFYING THE
22 ADMINISTRATIVE STRUCTURE MAY MAKE THE STATE DEPARTMENT MORE
23 EFFICIENT AND ALLOW THE STATE DEPARTMENT TO FOCUS MORE
24 RESOURCES ON IMPROVING VALUE IN HEALTH CARE.

25 (2) ON OR BEFORE JANUARY 1, 2013, THE STATE DEPARTMENT
26 SHALL REPORT TO THE JOINT BUDGET COMMITTEE OF THE GENERAL
27 ASSEMBLY, THE HEALTH AND HUMAN SERVICES COMMITTEE OF THE

1 SENATE, OR ANY SUCCESSOR COMMITTEE, AND THE HEALTH AND
2 ENVIRONMENT COMMITTEE OF THE HOUSE OF REPRESENTATIVES, OR ANY
3 SUCCESSOR COMMITTEE, CONCERNING:

4 (a) AN ASSESSMENT OF THE POLICY GOAL AND EFFICACY OF EACH
5 TYPE OF CONTRACT ADMINISTERED PURSUANT TO THIS PART 4;

6 (b) A COMPARISON OF THE POLICY GOAL WITH THE RELATIVE
7 AMOUNT OF ADMINISTRATIVE COST NECESSARY TO APPROPRIATELY
8 MANAGE EACH PROGRAM; AND

9 (c) RECOMMENDATIONS TO THE GENERAL ASSEMBLY FOR
10 STATUTORY OR OTHER CHANGES NECESSARY TO STREAMLINE AND
11 SIMPLIFY CONTRACTS AUTHORIZED PURSUANT TO THIS PART 4.

12 (3) THIS SECTION IS REPEALED, EFFECTIVE JULY 1, 2013.

13 **SECTION 3. Act subject to petition - effective date.** This act
14 takes effect at 12:01 a.m. on the day following the expiration of the
15 ninety-day period after final adjournment of the general assembly (August
16 8, 2012, if adjournment sine die is on May 9, 2012); except that, if a
17 referendum petition is filed pursuant to section 1 (3) of article V of the
18 state constitution against this act or an item, section, or part of this act
19 within such period, then the act, item, section, or part will not take effect
20 unless approved by the people at the general election to be held in
21 November 2012 and, in such case, will take effect on the date of the
22 official declaration of the vote thereon by the governor.