HOUSE BILL 12-1281

A BILL FOR AN ACT

CONCERNING A PILOT PROGRAM ESTABLISHING NEW PAYMENT METHODOLOGIES IN MEDICAID, AND, IN CONNECTION THERewith, MAKING AN APPROPRIATION.

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/billsummaries.)

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 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.

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

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

25.5-1-205. Providing for the efficient provision of health care through state-supervised cooperative action - rules. (1) Cooperation among health care payors, including both private sector entities and Federal and State-administered health care programs, has the potential to eliminate needless and costly complexity in the administration of the programs and to benefit patients, payors, and the government. Further, alignment of
FINANCIAL INCENTIVES AMONG PRIVATE AND PUBLIC ENTITIES MAY ACCELERATE AND REINFORCE IMPROVEMENTS IN HEALTH CARE QUALITY AND PATIENT OUTCOMES.

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

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

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

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

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

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

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

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

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

(b) THEREFORE, THE GENERAL ASSEMBLY DECLARES THAT
COLORADO SHOULD BUILD UPON ONGOING REFORMS OF HEALTH CARE
DELIVERY IN THE MEDICAID PROGRAM BY IMPLEMENTING A PILOT
PROGRAM WITHIN THE STRUCTURE OF THE STATE DEPARTMENT'S
CURRENT MEDICAID COORDINATED CARE SYSTEM THAT ENCOURAGES THE
USE OF NEW AND INNOVATIVE PAYMENT METHODOLOGIES, INCLUDING
GLOBAL PAYMENTS.

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

(b) (I) THE STATE DEPARTMENT SHALL CREATE A PROCESS FOR
INTERESTED CONTRACTORS OF THE STATE DEPARTMENT’S CURRENT
MEDICAID COORDINATED CARE SYSTEM TO SUBMIT PAYMENT PROJECTS
FOR CONSIDERATION UNDER THE PILOT PROGRAM. PAYMENT PROJECTS
SUBMITTED PERSUANT TO THE PILOT PROGRAM MAY INCLUDE, BUT NEED
NOT BE LIMITED TO, GLOBAL PAYMENTS, RISK ADJUSTMENT, RISK SHARING,
AND ALIGNED PAYMENT INCENTIVES TO ACHIEVE IMPROVED QUALITY AND TO CONTROL COSTS.

(II) THE DESIGN OF THE PAYMENT PROJECT OR PROJECTS SHALL ADDRESS THE CLIENT POPULATION OF THE STATE DEPARTMENT'S CURRENT MEDICAID COORDINATED CARE SYSTEM AND BE TAILORED TO THE REGION'S HEALTH CARE NEEDS AND THE RESOURCES OF THE STATE DEPARTMENT'S CURRENT MEDICAID COORDINATED CARE SYSTEM.

(III) A CONTRACTOR OF THE STATE DEPARTMENT'S CURRENT MEDICAID COORDINATED CARE SYSTEM SHALL WORK IN COORDINATION WITH THE PROVIDERS AND MANAGED CARE ENTITIES CONTRACTED WITH THE CONTRACTOR OF THE STATE DEPARTMENT'S CURRENT MEDICAID COORDINATED CARE SYSTEM IN DEVELOPING THE PAYMENT PROJECT OR PROJECTS.

(c) (I) ON OR BEFORE JULY 1, 2013, THE STATE DEPARTMENT SHALL COMPLETE ITS REVIEW OF PAYMENT PROJECTS AND SHALL SELECT PAYMENT PROJECTS TO BE INCLUDED IN THE PILOT PROGRAM. FOR PURPOSES OF SELECTING PAYMENT PROJECTS FOR THE PILOT PROGRAM, THE STATE DEPARTMENT SHALL CONSIDER, AT A MINIMUM:

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

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

(C) THE OVERALL GOALS OF THE STATE DEPARTMENT'S CURRENT MEDICAID COORDINATED CARE SYSTEM AND THE ALIGNMENT OF THE PAYMENT PROJECT WITH THOSE GOALS;

(D) THE CLIENT POPULATION SERVED BY THE STATE DEPARTMENT'S
CURRENT MEDICAID COORDINATED CARE SYSTEM AND THE PARTICULAR
HEALTH NEEDS OF THE REGION;

(E) THE BUSINESS STRUCTURE OR STRUCTURES LIKELY TO FOSTER
COOPERATION, COORDINATION, AND ALIGNMENT AND THE ABILITY OF THE
CONTRACTOR OF THE STATE DEPARTMENT'S CURRENT MEDICAID
COORDINATED CARE SYSTEM TO IMPLEMENT THE PAYMENT PROJECT,
INCLUDING THE RESOURCES AVAILABLE TO THE CONTRACTOR OF THE
STATE DEPARTMENT'S CURRENT MEDICAID COORDINATED CARE SYSTEM
AND THE TECHNOLOGICAL INFRASTRUCTURE REQUIRED; AND

(F) THE ABILITY OF THE CONTRACTOR OF THE STATE
DEPARTMENT'S CURRENT MEDICAID COORDINATED CARE SYSTEM TO
COORDINATE AMONG PROVIDERS OF PHYSICAL HEALTH CARE, BEHAVIORAL
HEALTH CARE, ORAL HEALTH CARE, AND THE SYSTEM OF LONG-TERM CARE
SERVICES AND SUPPORTS.

(III) FOR PAYMENT PROJECTS NOT SELECTED BY THE STATE
DEPARTMENT, THE STATE DEPARTMENT SHALL RESPOND TO THE
CONTRACTOR OF THE STATE DEPARTMENT'S CURRENT MEDICAID
COORDINATED CARE SYSTEM, IN WRITING, ON OR BEFORE JULY 1, 2013,
STATING THE REASON OR REASONS WHY THE PAYMENT PROJECT WAS NOT
SELECTED. THE STATE DEPARTMENT SHALL SEND A COPY OF THE RESPONSE
TO THE JOINT BUDGET COMMITTEE OF THE GENERAL ASSEMBLY, THE
HEALTH AND HUMAN SERVICES COMMITTEE OF THE SENATE, OR ANY
SUCCESSOR COMMITTEE, AND THE HEALTH AND ENVIRONMENT COMMITTEE
OF THE HOUSE OF REPRESENTATIVES, OR ANY SUCCESSOR COMMITTEE.

(d) (I) THE PAYMENT PROJECTS SELECTED FOR THE PROGRAM
SHALL BE FOR A PERIOD OF AT LEAST TWO YEARS, BUT SHALL NOT EXTEND
BEYOND JUNE 30, 2016. THE PROVIDER CONTRACT SHALL SPECIFY THE
PAYMENT METHODOLOGY UTILIZED IN THE PAYMENT PROJECT.

(II) The requirements of section 25.5-5-408 do not apply to the rate-calculation process for payments made to MCEs pursuant to this section.

(III) MCEs participating in the pilot program are subject to the requirements of section 25.5-5-404 (1) (k) and (1) (l), as applicable.

(IV) Payments made to MCEs under the pilot program shall account for prospective, local community or health system cost trends and values, as measured by quality and satisfaction measures, and shall incorporate community cost experience and reported encounter data to the extent possible to address regional variation and improve longitudinal performance.

(V) Notwithstanding any provisions of this section or state board rules to the contrary, it is the intent of the general assembly that total payments, adjustments, and incentives will be budget-neutral with respect to state expenditures. The state department shall not enter into a contract with a provider pursuant to this section if the state department estimates that total payments to the provider will be greater than without the contract.

(3) Pilot program participants shall provide data and information to the state department and any designated evaluator concerning health outcomes, cost, provider participation and satisfaction, client satisfaction, and any other data and information necessary to evaluate the efficacy
OF THE PAYMENT METHODOLOGY.

(4) (a) The State Department shall submit a report to the Joint Budget Committee of the General Assembly, the Health and Human Services Committee of the Senate, or any successor committee, and the Health and Environment Committee of the House of Representatives, or any successor committee, as follows:

(I) 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 State Department and the time frame for implementation;

(II) On or before September 15, 2014, concerning the pilot program as implemented, including but not limited to an analysis of the initial data and information concerning the utilization of the payment methodology, quality measures, and the impact of the payment methodology on health outcomes, cost, provider participation and satisfaction, and patient satisfaction; and

(III) On or before September 15, 2015, and each September 15 that the program is being implemented, concerning the program as implemented, including but not limited to an analysis of the data and information concerning the utilization of the payment methodology, including an assessment of how the payment methodology drives provider performance and participation and the impact of the payment methodology on quality measures, health outcomes, cost, provider satisfaction, and patient satisfaction, comparing those outcomes across all patients utilizing existing State Department data.
(b) For purposes of evaluating the pilot program and payment methodologies, the state department may collaborate with a nonprofit entity or an institution of higher education to analyze and verify data and information received from pilot participants and to evaluate quality measures and the cost effectiveness of the payment reforms.

(5) The state department shall seek any federal authorization necessary to implement the pilot program.

(6) The state department may promulgate any rules necessary to implement the pilot program.

25.5-5-416. Report concerning efficient contracting in managed care - legislative declaration - repeal. (1) The general assembly finds and declares that the state department administers a wide variety of contracts that are authorized pursuant to this part 4. Each contract requires a separate administrative infrastructure and the commitment of state department resources. Streamlining and simplifying the administrative structure may make the state department more efficient and allow the state department to focus more resources on improving value in health care.

(2) On or before January 1, 2013, the state department shall report to the joint budget committee of the general assembly, the health and human services committee of the senate, or any successor committee, and the health and environment committee of the house of representatives, or any successor committee, concerning:

(a) An assessment of the policy goal and efficacy of each
TYPE OF CONTRACT ADMINISTERED PURSUANT TO THIS PART 4;

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

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

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

SECTION 3. In Colorado Revised Statutes, 25.5-5-402, add (6)
as follows:

25.5-5-402. Statewide managed care system. (6) FOR REQUESTS
FOR PROPOSALS OCCURRING ON AND AFTER JANUARY 1, 2015, THE STATE
DEPARTMENT SHALL ALLOW FOR PAYMENT PROPOSALS THAT INCLUDE, BUT
NEED NOT BE LIMITED TO, GLOBAL PAYMENT, RISK ADJUSTMENT, RISK
SHARING, AND ALIGNED PAYMENT INCENTIVES FOR HEALTH BENEFITS AND
SERVICES PROVIDED TO MEDICAL ASSISTANCE CLIENTS PURSUANT TO
SECTIONS 25.5-5-404 (1) (k) AND (1) (l), 25.5-5-406 (2), AND PARAGRAPH
(b) OF SUBSECTION (2) OF THIS SECTION. THE STATE DEPARTMENT SHALL
HAVE THE DISCRETION TO DETERMINE WHICH PROPOSALS SATISFY THE
REQUEST FOR PROPOSAL AND ARE APPROPRIATE FOR THE STATE’S
COORDINATED CARE SYSTEM, SUBJECT TO THE CRITERIA ESTABLISHED
UNDER SECTION 25.5-5-415 (3) (c) (II) AND (3) (c) (V).

SECTION 4. In Colorado Revised Statutes, 25.5-5-403, add (2.5)
as follows:

25.5-5-403. Definitions. As used in this part 4, unless the context
otherwise requires:

(2.5) "GLOBAL PAYMENT" MEANS 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).

SECTION 5. In Colorado Revised Statutes, 25.5-5-406, add (2) as follows:

25.5-5-406. Required features of managed care system. (2) (a) After January 1, 2015, the state department shall open for competitive bid the state department’s medicaid coordinated care system within regions of the state. Before issuing a request for proposal, the state department shall analyze the regions of the state to determine the appropriate number of care coordination regions that should be created. Further, before issuing a request for proposal, the state department shall also analyze the appropriate number of care coordination contracts in each region of the state.
(b) Nothing in this subsection (2) shall delay the implementation of the Medicaid Payment Reform and Innovation Pilot Program created in Section 25.5-5-415.

SECTION 6. Appropriation. (1) In addition to any other appropriation, there is hereby appropriated, to the department of health care policy and financing, for the fiscal year beginning July 1, 2012, the sum of $213,079 and 0.8 FTE, or so much thereof as may be necessary, to be allocated for the implementation of this act as follows:

(a) $47,538 and 0.8 FTE for personal services, of which sum $23,769 is from the general fund and $23,769 is from federal funds;

(b) $5,541 for operating expenses, of which sum $2,771 is from the general fund and $2,770 is from federal funds; and,

(c) $160,000 for general professional services, of which sum $80,000 is from the general fund and $80,000 is from federal funds.

SECTION 7. Safety clause. The general assembly hereby finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, and safety.