

Second Regular Session  
Sixty-eighth General Assembly  
STATE OF COLORADO

**PREAMENDED**

*This Unofficial Version Includes Committee  
Amendments Not Yet Adopted on Second Reading*

LLS NO. 12-0370.02 Brita Darling x2241

**HOUSE BILL 12-1281**

**HOUSE SPONSORSHIP**

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

**SENATE SPONSORSHIP**

**Steadman and Roberts**,

**House Committees**

Health and Environment  
Appropriations

**Senate Committees**

Health and Human Services  
Appropriations

**A BILL FOR AN ACT**

101 **CONCERNING A PILOT PROGRAM ESTABLISHING NEW PAYMENT**  
102 **METHODOLOGIES IN MEDICAID, AND, IN CONNECTION**  
103 **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

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.*

HOUSE  
3rd Reading Unamended  
April 18, 2012

HOUSE  
Amended 2nd Reading  
April 17, 2012

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.

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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 - creation - selection of payment**  
15 **projects - report - rules.** (1) (a) THE GENERAL ASSEMBLY FINDS THAT:

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

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

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

27 (IV) NEW PAYMENT METHODOLOGIES, INCLUDING GLOBAL

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

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

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

16 [REDACTED] [REDACTED]

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

22 (b) (I) THE STATE DEPARTMENT SHALL CREATE A PROCESS FOR  
23 INTERESTED CONTRACTORS OF THE STATE DEPARTMENT'S CURRENT  
24 MEDICAID COORDINATED CARE SYSTEM TO SUBMIT PAYMENT PROJECTS  
25 FOR CONSIDERATION UNDER THE PILOT PROGRAM. PAYMENT PROJECTS  
26 SUBMITTED PURSUANT TO THE PILOT PROGRAM MAY INCLUDE, BUT NEED  
27 NOT BE LIMITED TO, GLOBAL PAYMENTS, RISK ADJUSTMENT, RISK SHARING,

1 AND ALIGNED PAYMENT INCENTIVES TO ACHIEVE IMPROVED QUALITY AND  
2 TO CONTROL COSTS.

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

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

14 (c) (I) ON OR BEFORE JULY 1, 2013, THE STATE DEPARTMENT  
15 SHALL COMPLETE ITS REVIEW OF PAYMENT PROJECTS AND SHALL SELECT  
16 PAYMENT PROJECTS TO BE INCLUDED IN THE PILOT PROGRAM. ■ ■

17 (II) FOR PURPOSES OF SELECTING PAYMENT PROJECTS FOR THE  
18 PILOT PROGRAM, THE STATE DEPARTMENT SHALL CONSIDER, AT A  
19 MINIMUM:

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

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

24 (C) THE STATE DEPARTMENT'S ABILITY TO ENSURE THAT  
25 INPATIENT AND OUTPATIENT HOSPITAL REIMBURSEMENTS ARE MAXIMIZED  
26 UP TO THE UPPER PAYMENT LIMITS, AS DEFINED IN 42 CFR 447.272 AND 42  
27 CFR 447.321 AND CALCULATED BY THE STATE DEPARTMENT

1 PERIODICALLY;

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

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

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

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

27 (d) (I) THE PAYMENT PROJECTS SELECTED FOR THE PROGRAM

1 SHALL BE FOR A PERIOD OF AT LEAST TWO YEARS, BUT SHALL NOT EXTEND  
2 BEYOND JUNE 30, 2016. THE PROVIDER CONTRACT SHALL SPECIFY THE  
3 PAYMENT METHODOLOGY UTILIZED IN THE PAYMENT PROJECT.

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

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

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

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

25 (3) PILOT PROGRAM PARTICIPANTS SHALL PROVIDE DATA AND  
26 INFORMATION TO THE STATE DEPARTMENT AND ANY DESIGNATED  
27 EVALUATOR CONCERNING HEALTH OUTCOMES, COST, PROVIDER

1 PARTICIPATION AND SATISFACTION, CLIENT SATISFACTION, AND ANY  
2 OTHER DATA AND INFORMATION NECESSARY TO EVALUATE THE EFFICACY  
3 OF THE PAYMENT METHODOLOGY.

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

10 (I) ON OR BEFORE FEBRUARY 1, 2013, CONCERNING THE DESIGN  
11 AND IMPLEMENTATION OF THE PILOT PROGRAM, INCLUDING A DESCRIPTION  
12 OF ANY PAYMENT PROJECTS RECEIVED BY THE STATE DEPARTMENT AND  
13 THE TIME FRAME FOR IMPLEMENTATION;

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

20 (III) ON OR BEFORE SEPTEMBER 15, 2015, AND EACH SEPTEMBER  
21 15 THAT THE PROGRAM IS BEING IMPLEMENTED, CONCERNING THE  
22 PROGRAM AS IMPLEMENTED, INCLUDING BUT NOT LIMITED TO AN ANALYSIS  
23 OF THE DATA AND INFORMATION CONCERNING THE UTILIZATION OF THE  
24 PAYMENT METHODOLOGY, INCLUDING AN ASSESSMENT OF HOW THE  
25 PAYMENT METHODOLOGY DRIVES PROVIDER PERFORMANCE AND  
26 PARTICIPATION AND THE IMPACT OF THE PAYMENT METHODOLOGY ON  
27 QUALITY MEASURES, HEALTH OUTCOMES, COST, PROVIDER SATISFACTION,



1 AND PATIENT SATISFACTION, COMPARING THOSE OUTCOMES ACROSS ALL  
2 PATIENTS UTILIZING EXISTING STATE DEPARTMENT DATA.

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

9 (5) THE STATE DEPARTMENT SHALL SEEK ANY FEDERAL  
10 AUTHORIZATION NECESSARY TO IMPLEMENT THE PILOT PROGRAM.

11 (6) THE STATE DEPARTMENT MAY PROMULGATE ANY RULES  
12 NECESSARY TO IMPLEMENT THE PILOT PROGRAM.

13 **25.5-5-416. Report concerning efficient contracting in**  
14 **managed care - legislative declaration - repeal.** (1) THE GENERAL  
15 ASSEMBLY FINDS AND DECLARES THAT THE STATE DEPARTMENT  
16 ADMINISTERS A WIDE VARIETY OF CONTRACTS THAT ARE AUTHORIZED  
17 PURSUANT TO THIS PART 4. EACH CONTRACT REQUIRES A SEPARATE  
18 ADMINISTRATIVE INFRASTRUCTURE AND THE COMMITMENT OF STATE  
19 DEPARTMENT RESOURCES. STREAMLINING AND SIMPLIFYING THE  
20 ADMINISTRATIVE STRUCTURE MAY MAKE THE STATE DEPARTMENT MORE  
21 EFFICIENT AND ALLOW THE STATE DEPARTMENT TO FOCUS MORE  
22 RESOURCES ON IMPROVING VALUE IN HEALTH CARE.

23 (2) ON OR BEFORE JANUARY 1, 2013, THE STATE DEPARTMENT  
24 SHALL REPORT TO THE JOINT BUDGET COMMITTEE OF THE GENERAL  
25 ASSEMBLY, THE HEALTH AND HUMAN SERVICES COMMITTEE OF THE  
26 SENATE, OR ANY SUCCESSOR COMMITTEE, AND THE HEALTH AND  
27 ENVIRONMENT COMMITTEE OF THE HOUSE OF REPRESENTATIVES, OR ANY

1 SUCCESSOR COMMITTEE, CONCERNING:

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

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

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

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

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

13 **25.5-5-402. Statewide managed care system.** (6) (a) FOR  
14 REQUESTS FOR PROPOSALS OCCURRING ON AND AFTER JANUARY 1, 2015,  
15 THE STATE DEPARTMENT SHALL ALLOW FOR PAYMENT PROPOSALS THAT  
16 INCLUDE, BUT NEED NOT BE LIMITED TO, GLOBAL PAYMENT, RISK  
17 ADJUSTMENT, RISK SHARING, AND ALIGNED PAYMENT INCENTIVES FOR  
18 HEALTH BENEFITS AND SERVICES PROVIDED TO MEDICAL ASSISTANCE  
19 CLIENTS PURSUANT TO SECTIONS 25.5-5-404 (1) (k) AND (1) (l),  
20 25.5-5-406 (2), AND PARAGRAPH (b) OF SUBSECTION (2) OF THIS SECTION.

21 (b) THE STATE DEPARTMENT SHALL HAVE THE DISCRETION TO  
22 DETERMINE WHICH PROPOSALS SATISFY THE REQUEST FOR PROPOSAL,  
23 INCLUDING:

24 (I) WHETHER THE PROPOSALS ARE APPROPRIATE FOR THE STATE'S  
25 COORDINATED CARE SYSTEM; AND

26 (II) THE STATE DEPARTMENT'S ABILITY TO ENSURE INPATIENT AND  
27 OUTPATIENT HOSPITAL REIMBURSEMENTS ARE MAXIMIZED UP TO THE

1 UPPER LIMITS, AS DEFINED IN 42 CFR 447.272 AND 42 CFR 447.321 AND  
2 CALCULATED BY THE STATE DEPARTMENT PERIODICALLY.

3 (c) THE STATE DEPARTMENT SHALL SEEK ANY FEDERAL WAIVER  
4 NECESSARY TO ENSURE THAT THE EFFECT OF THE REQUEST FOR PROPOSALS  
5 DOES NOT ADVERSELY IMPACT UPPER PAYMENT LIMITS AND  
6 CONSIDERATIONS SHALL INCLUDE, BUT ARE NOT LIMITED TO, THE  
7 ESTABLISHMENT OF AN UNCOMPENSATED CARE COST POOL OR A HOSPITAL  
8 INCENTIVE PROGRAM.

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

11 **25.5-5-403. Definitions.** As used in this part 4, unless the context  
12 otherwise requires:

13 (2.5) "GLOBAL PAYMENT" MEANS A POPULATION-BASED PAYMENT  
14 MECHANISM THAT IS CONSTRUCTED ON A PER-MEMBER, PER-MONTH  
15 CALCULATION. GLOBAL PAYMENTS SHALL ACCOUNT FOR PROSPECTIVE  
16 LOCAL COMMUNITY OR HEALTH SYSTEM COST TRENDS AND VALUE, AS  
17 MEASURED BY QUALITY AND SATISFACTION METRICS, AND SHALL  
18 INCORPORATE COMMUNITY COST EXPERIENCE AND REPORTED ENCOUNTER  
19 DATA TO THE GREATEST EXTENT POSSIBLE TO ADDRESS REGIONAL  
20 VARIATION AND IMPROVE LONGITUDINAL PERFORMANCE. RISK  
21 ADJUSTMENTS, RISK-SHARING, AND ALIGNED PAYMENT INCENTIVES MAY  
22 BE UTILIZED TO ACHIEVE PERFORMANCE IMPROVEMENT. THE RATE  
23 CALCULATIONS FOR GLOBAL PAYMENT ARE EXEMPT FROM THE PROVISIONS  
24 OF SECTION 25.5-5-408. AN ENTITY THAT USES GLOBAL PAYMENT  
25 PURSUANT TO SECTION 25.5-5-404 SHALL MEET THE APPLICABLE  
26 FINANCIAL SOLVENCY REQUIREMENTS OF SECTION 25.5-5-404 (1) (k) AND  
27 (1) (l), AND THE ESSENTIAL COMMUNITY PROVIDER REQUIREMENTS OF

1 SECTION 25.5-5-404 (2) AND (3).

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

4 **25.5-5-406. Required features of managed care system.**

5 (2) (a) AFTER JANUARY 1, 2015, THE STATE DEPARTMENT SHALL OPEN  
6 FOR COMPETITIVE BID THE STATE DEPARTMENT'S MEDICAID COORDINATED  
7 CARE SYSTEM WITHIN REGIONS OF THE STATE. BEFORE ISSUING A REQUEST  
8 FOR PROPOSAL, THE STATE DEPARTMENT SHALL ANALYZE THE REGIONS OF  
9 THE STATE TO DETERMINE THE APPROPRIATE NUMBER OF CARE  
10 COORDINATION REGIONS THAT SHOULD BE CREATED. FURTHER, BEFORE  
11 ISSUING A REQUEST FOR PROPOSAL, THE STATE DEPARTMENT SHALL ALSO  
12 ANALYZE THE APPROPRIATE NUMBER OF CARE COORDINATION CONTRACTS  
13 IN EACH REGION OF THE STATE.

14 (b) NOTHING IN THIS SUBSECTION (2) SHALL DELAY THE  
15 IMPLEMENTATION OF THE MEDICAID PAYMENT REFORM AND INNOVATION  
16 PILOT PROGRAM CREATED IN SECTION 25.5-5-415.

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

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

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

26 (c) \$160,000 for general professional services, of which sum  
27 \$80,000 is from the general fund and \$80,000 is from federal funds.

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