



COLORADO

Department of Health Care
Policy & Financing

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

February 13, 2015

The Honorable Kent Lambert, Chair
Joint Budget Committee
200 E. 14th Ave., Third Floor
Denver, CO 80203

RE: Department of Health Care Policy and Financing Targeted Rate Increase Proposals

Dear Senator Lambert,

The Department of Health Care Policy and Financing respectfully submits recommendations for targeted rate increases for Medicaid providers as part of the Department's FY 2015-16 R-12 budget request. As a reminder, the Department requested a .5% across the board increase for all eligible Medicaid providers and approximately \$16.5 million for targeted rate increases to improve access to care and address disparities in targeted rates.

Last year the General Assembly approved a set of targeted rate increases for Medicaid providers. Early results from the rate increases that have been implemented show that the targeted rate increases have improved access to high value services. We have received positive feedback from the providers impacted by the rate increases.

This year the Department is proposing targeted rate increases for 13 services. The proposed rate increases are being recommended after careful analysis, stakeholder and provider input and evaluation against strict criteria. The recommendations total \$16,302,540.

The following pages detail each of the proposed increases. In addition, we have included information about proposals the Department received and considered but were not included in the final list of recommendations for targeted rate increases this year. Department staff will present these recommendations to the committee on Tuesday, February 17 at which time we can provide more information and answer any questions from the committee.

If you require further information or have additional questions, please contact the Department's Legislative Liaison, Zach Lynkiewicz, at Zach.Lynkiewicz@state.co.us or 720-854-9882.

Sincerely,

A handwritten signature in cursive script that reads "Gretchen M. Hammer".

Gretchen M. Hammer
Medicaid Director

Our mission is to improve health care access and outcomes for the people we serve while demonstrating sound stewardship of financial resources.
www.colorado.gov/hcpf





FY 2015-16 Targeted Rate Increase Recommendations

Background

The General Assembly first approved targeted rate increases for Medicaid providers in FY 2014-15. The Department's goal was to adjust rates and codes most below market value and with the greatest impact on health and access. The Department received positive feedback from providers and has seen preliminary evidence showing that the targeted rate increases have improved access to cost-effective services that improve health outcomes while incentivizing more providers to offer these services.

The Department proposed targeted rate increases in its FY 2015-16 budget request R-12, submitted to the Joint Budget Committee on November 1, 2014. Since the release of the budget, the Department has received, and evaluated against criteria, 41 submissions of stakeholder feedback and 30 formal stakeholder proposals for consideration for a targeted rate increase in FY 2015-16. In addition to stakeholder proposals received since November 1, 2014, the Department identified rate inequities with impact on health and access (based on provider and client feedback) which are included in the recommendations for targeted rate increases. Based on the proposals received and the amount of funding the Department requested, the Department is recommending 13 proposals for targeted rate increases in FY 2015-16.

Evaluation Criteria

The goals of the targeted rate increases are to improve access, increase value for dollars spent and improve health outcomes. Evaluation criteria, guidelines and timelines for proposals were available to stakeholders to guide in the proposal submission process. Proposals were required to include:

1. A focus on ensuring or improving client access to cost-effective care
2. The specific service or units of service recommended for increase
3. The percentage and dollar amount recommended for increase
4. Any known challenges and barriers to implementation
5. An explanation of how the increase would incent more providers to deliver the service(s)

The proposals were evaluated to ensure they were operationally and programmatically feasible and sustainable. The ability of the Department to implement the proposal by July 1, 2015, pending federal approval, was also considered in the recommendations.

Final Recommendations

1. Special Connections Outpatient Group Rate (Substance Use Disorder treatment for pregnant women)

Submitted by: Arapahoe House

Description/Rationale: Low rates limit the number of clients that can be accepted to the program as operating costs exceed revenues from Medicaid payment. Recently, the Joint Budget Committee asked the Department why the program has so few providers, citing that providers had expressed inadequate reimbursement as a barrier to becoming Special Connections providers. An increase in the rates is a necessary component in helping Special Connections grow and reach this vulnerable population of pregnant women and their unborn children.

Proposal: Increase payment for Special Connections services to \$210 per diem; increase group and individual outpatient therapy rates by 10%

Recommendation: Partially recommend. Increased outpatient therapy rates from 50% to 100% of Medicaid Fee-For-Service rate

Federal Authority: No State Plan amendment required

Fiscal Impact: \$23,835

2. Special Connections Per Diem Rate

Submitted by: Department proposal

Descriptions/Rationale: Substance use during pregnancy has long- and short-term effects on two large segments of the Medicaid population - women and children. Potential future expenses for children are greatest, due to lifelong effects resulting from exposure to drugs or alcohol in the womb. By treating Substance Use Disorder during pregnancy, current and future physical medicine costs for both mother and infant are greatly reduced or alleviated.

Proposal: Increase per diem reimbursement rates by 20%

Recommendation: Fully recommend

Federal Authority: No State Plan Amendment required

Fiscal Impact: \$227,604

3. Prostate Biopsy

Submitted by: Urology Center of Colorado

Description/Rationale: The current rate covers only six core biopsies during a standard visit; however, best practices recommend 12 biopsies to appropriately detect and provide early diagnosis of cancer. Effective early diagnosis is essential to reduce metastasis, alleviate cost of additional treatment, and improve health outcomes.

Proposal: Increase rate for prostate biopsies from 47% to 100% of Medicare

Recommendation: Partially recommend. Increase to 75% of Medicare

Federal Authority: No State Plan Amendment required

Fiscal Impact: \$5,485

4. Diabetic Self-Management Education Group Visits

Submitted by: UPI/Colorado School of Medicine

Description/Rationale: Curriculum for diabetic self-management includes one individual visit followed by nine group visits. Both services were opened to cover the full program. Diabetic self-management is an important, high-value service that prevents the need for higher-cost treatments.

Proposal: Increase group visit rate for diabetic self-management to 100% of Medicare rate.

Recommendation: Partially recommend. Two service codes opened, priced at 75% of Medicare

Federal Authority: No State Plan Amendment required

Fiscal Impact: \$485,433

5. Dental X-Rays

Submitted by: Colorado Dental Association

Description/Rationale: Evaluated and recommended by Medicaid Dental Clinical team. This x-ray series is foundational to any dental services and can only be billed once every five years. Supported by DentaQuest, Oral Health Colorado.

Proposal: Increase to 65% of American Dental Association (ADA) average fee survey

Recommendation: Fully recommend

Federal Authority: No State Plan amendment required

Fiscal Impact: \$365,089

6. Dental Fluoride Varnish

Submitted by: Delta Dental of Colorado

Description/Rationale: Evaluated and recommended by Medicaid Dental Clinical team. Fluoride varnish is an evidence-based preventative service that reduces decayed, missing, and filled tooth surfaces. Supported by CDPHE, Delta Dental, and Oral Health Colorado; also recommended by CDC and the American Dental Association (ADA).

Proposal: Increase rate for fluoride varnish by 50%, from \$15.94 to \$23.91 per application

Recommendation: Fully recommend

Federal Authority: No State Plan amendment required

Fiscal Impact: \$2,711,409

7. Option: Dental Sealants for Children

Submitted by: Department Proposal

Description/Rationale: Increasing the rate for this preventive dental procedure will increase access for more children. When children have increased access to this preventive service, data shows that their need for more expensive, painful, and severe dental interventions decreases.

Proposal: Increase payment for application of dental sealant from 10% to 50% of American Dental Association (ADA) average fee survey

Recommendation: Fully recommend

Federal Authority: No State Plan amendment required

Fiscal Impact: \$3,535,183

8. Vision Retinal Services

Submitted by: Colorado Retina Associates

Description/Rationale: Retinal services are key to recovering vision and preventing visual disability and blindness. Improved rates allow providers to accept more Medicaid patients, avoiding delays in diagnosis and treatment. Early intervention allows clients to remain at work, able to drive and to recover lost productivity.

Proposal: Increase 20 targeted retinal service codes to 100% of Medicare rate

Recommendation: Partially recommend. Five lowest-paid codes increased to 75% of Medicare

Federal Authority: No State Plan Amendment required

Fiscal Impact: \$407,583

9. Eye Materials

Submitted by: Colorado Optometric Association

Description/Rationale: Reimbursement rates for eye glasses materials is so low that it hinders providers' ability to provide quality options for clients. The Colorado Optometric Association has been unable to increase the number of providers offering eyeglasses at these rates. Improved reimbursement will allow higher quality products with fewer replacements needed. It will allow clients to receive full service for exam/glasses at a single location and will alleviate expending time and money to travel to several locations for a pair of glasses.

Proposal: Increase reimbursement on materials for prioritized services for children's eyeglasses by 70%

Recommendation: Partially recommend. Increase in rates for children's lens and frames by 49.5%

Federal Authority: No State Plan Amendment required

Fiscal Impact: \$3,995,056

10. Physical and Occupational Therapy Services

Submitted by: Department Proposal

Description/Rationale: Increasing reimbursement for these services will help ensure client access to quality treatment by allowing providers to increase their Medicaid patient panels, by attracting more high quality providers to Medicaid, and by retaining existing Medicaid providers. PT/OT services are also used as alternative or complementary chronic pain treatment options.

Proposal: Increase for codes of seven lowest PT/OT services to 50% of Medicare rate.

Recommendation: Fully recommend

Federal Authority: State Plan amendment required

Fiscal Impact: \$3,000,000

11. Prenatal and Postpartum Care Services

Submitted by: Department Proposal

Description/Rationale: An increase in payment for prenatal and postpartum care services will encourage high quality care, improved access and better health outcomes for both Medicaid mothers and infants. This proposal will increase for CPT codes 59425, 59436, and 59430 (prenatal and postpartum care) to 70% of Medicare rate.

Proposal: Increase rate for prenatal and postpartum care services to 70% of Medicare

Recommendation: Fully recommend

Federal Authority: A State Plan amendment may be required

Fiscal Impact: \$624,511

12. Selected Office Injectable Drugs (Oncology and Antipsychotic)

Submitted by: Department Proposal

Description/Rationale: Low pricing for office-injected drugs leads to clients not receiving services or being sent to hospitals to receive the medication, creating a higher cost service. This increase addresses two subsets of office-administered drugs, oncology, and injectable antipsychotic medications. A list of codes is included in the Addendum below.

Proposal: Increase rates for office-administered drugs for oncology and antipsychotic medications to average sale price

Recommendation: Fully recommend

Federal Authority: State Plan Amendment is not required

Fiscal Impact: \$845,032

13. In-Home Respite

Submitted by: Department Proposal

Description/Rationale: Increasing this rate will positively impact clients by allowing options for respite other than transitioning in and out of a nursing facility.

Proposal: Increase rate for in-home respite services by 33.4%

Recommendation: Fully recommend

Federal Authority: The Department would likely need to change rule and submit an amendment for the Home and Community Based Service waivers that would be impacted

Fiscal Impact: \$66,320

Addendum: Recommendation 12, Selected Office Injectable Drugs (Oncology and Antipsychotic)

Procedure Code	Service Category	Colorado Medicaid Rate	Average Sales Price	Procedure Code Description
J8520	CHEMOTHERAPY	\$5.97	\$8.10	Capecitabine, oral, 150 mg
J8521	CHEMOTHERAPY	\$19.82	\$26.34	Capecitabine, oral, 500 mg
J9033	CHEMOTHERAPY	\$19.35	\$22.72	Bendamustine injection
J9040	CHEMOTHERAPY	\$331.06	\$23.32	Bleomycin sulfate injection
J9043	CHEMOTHERAPY	\$137.90	\$142.38	Cabazitaxel injection
J9050	CHEMOTHERAPY	\$184.42	\$1,982.07	Carmustine injection
J9060	CHEMOTHERAPY	\$2.42	\$2.18	Cisplatin 10 mg injection
J9070	CHEMOTHERAPY	\$4.19	\$58.02	Cyclophosphamide 100 mg
J9100	CHEMOTHERAPY	\$1.82	\$0.92	Cytarabine hcl 100 mg inj
J9120	CHEMOTHERAPY	\$566.74	\$807.19	Dactinomycin injection
J9130	CHEMOTHERAPY	\$4.17	\$4.32	Dacarbazine 100 mg inj
J9179	CHEMOTHERAPY	\$91.85	\$100.08	Eribulin mesylate injection
J9181	CHEMOTHERAPY	\$0.48	\$0.67	Etoposide injection
J9185	CHEMOTHERAPY	\$170.17	\$88.90	Fludarabine phosphate inj
J9190	CHEMOTHERAPY	\$1.51	\$2.00	Fluorouracil injection
J9202	CHEMOTHERAPY	\$204.35	\$230.01	Goserelin Acetate Implant Per 3.6 mg
J9207	CHEMOTHERAPY	\$66.44	\$71.34	Ixabepilone injection
J9208	CHEMOTHERAPY	\$146.90	\$30.83	Ifosfamide injection
J9209	CHEMOTHERAPY	\$4.37	\$2.76	Mesna injection
J9214	CHEMOTHERAPY	\$16.07	\$21.28	Interferon alfa-2b inj
J9225	CHEMOTHERAPY	\$1,646.15	\$3,000.24	Vantas implant
J9228	CHEMOTHERAPY	\$127.55	\$133.66	Ipilimumab injection
J9230	CHEMOTHERAPY	\$153.42	\$194.13	Mechlorethamine hcl inj
J9250	CHEMOTHERAPY	\$0.22	\$0.25	Methotrexate Sodium MTX, 2 CC. OR 5 mg
J9260	CHEMOTHERAPY	\$2.14	\$2.49	Methotrexate Sodium MTX, 50 mg
J9265	CHEMOTHERAPY	\$8.05		Paclitaxel injection
J9268	CHEMOTHERAPY	\$1,446.94	\$1,510.36	Pentostatin injection
J9280	CHEMOTHERAPY	\$14.87	\$39.86	Mitomycin injection
J9303	CHEMOTHERAPY	\$89.58	\$96.98	Panitumumab injection
J9310	CHEMOTHERAPY	\$618.23	\$725.44	Rituximab injection
J9315	CHEMOTHERAPY	\$222.01	\$279.81	Romidepsin injection
J9330	CHEMOTHERAPY	\$50.85	\$60.04	Injection temsirolimus 1 mg
J9351	CHEMOTHERAPY	\$27.68	\$1.53	Topotecan injection
J9360	CHEMOTHERAPY	\$1.05	\$2.64	Vinblastine sulfate inj
J9370	CHEMOTHERAPY	\$40.92	\$4.86	Vincristine Sulfate, 1 mg
J9390	CHEMOTHERAPY	\$80.42	\$10.40	Vinorelbine tartrate inj
J1631	ANTI-PSYCHOTIC	\$15.75	18.67	INJ., Haloperidol Decanoate, per 50 mg
J2315	ANTI-PSYCHOTIC	\$2.90	2.89	Naltrexone, depot form
J2358	ANTI-PSYCHOTIC	\$2.78	\$2.75	Olanzapine long-acting inj
J2426	ANTI-PSYCHOTIC	\$7.43	8.12	Paliperidone palmitate inj
J2680	ANTI-PSYCHOTIC	\$11.10	23.28	INJ., Fluphenazine Decanoate, to 25 mg
J2794	ANTI-PSYCHOTIC	\$5.77	6.50	Risperidone, long acting

*Amended 2/16/15 to include Anti-psychotics

FY 2015-16 Targeted Rate Increase Proposals Considered but Not Recommended

	Source of Rate Increase Proposal	Program / Service	Summary of Proposal / Recommendation
A	Leading Age Colorado	Adult Day, ACF	Proposing a 2.2% rate increase for Elderly Blind and Disabled Adult Day and Alternative Care Facility.
B	Colorado Society of Anesthesiologists	Anesthesia	1. Increase rates for all anesthesia service to Workman's Comp level (\$57.73/unit vs. current Medicaid rate of \$22.67/unit) 2. Increase anesthesia rates in rural and critical access facilities (to Workman's Comp), if all anesthesia service rates cannot be increased.
C	Community Residential & Respite, LLC	CES Respite	Request to increase the reimbursement rate for Respite for Children's Extensive Supports.
D	Mount Saint Vincent	Child Care	1. Higher residential child care facility daily rate to decrease staff-to-client ratios 2. New payment created for Neurosequential Model of Therapeutics comprehensive trauma assessments and priced at \$1300.
E	DentaQuest	Dental	Requests for increases to several dental procedure codes.
F	Home Care Association of Colorado	Home Care	Requests \$36M in state funding (\$73M total funds) to raise all home care rates (skilled home health, private duty nursing, therapies, personal care, homemaker)
G	Hospice of Montezuma and Home Care Services	Hospice	Proposing a 30% rate increase for hospice care in Montezuma and Delores Counties
H	Ryon Medical & Associates, LLC	Individual, Family, and Group Therapy	Proposing a 20% rate increase for behavioral health services by non-Behavioral Health Organization providers. Requests rate increases specific to rural areas.
I	Denver Health	Inpatient Rehabilitation	1. Increased base rates for inpatient rehabilitation 2. Shared savings incentive payments
J	Colorado Association for School-Based Health Care	Mental Health	Request for an increase on reimbursements for adolescent depression screening.
K	University of Colorado Hospital	Multiple Areas	1. Support of targeted rate increase proposals submitted by University Physicians Inc. 2. Requests creation of facility reimbursements for 5 specialty clinics.
L	Panorama Orthopedics & Spine Center	Orthopedics	Requests \$2.3M funding to RCCO 6 for grants to fund studies on alternative payment methodologies
M	American Physical Therapy Association	Outpatient Physical Therapy	Request for increased rates for physical therapy.
N	Radiology Imaging Associates	Radiology	Proposal to increase reimbursement rates for ultrasounds.
O	Continuum of Colorado	Supported Living Services	Request for reimbursement rate increases for Supported Community Connections Levels 1, 2, and 3.
P	Continuum of Colorado	Supported Living Services	Request for reimbursement rate increases for Supported Community Connections Levels 1-6, and for Day Habilitation Levels 2-5. Made revisions to original request on 12/31/2014.
Q	Numotion	Wheelchairs	Requesting increase in 5 rates for wheelchairs and wheelchair accessories.



Joint Budget Committee Hearing

February 17, 2015



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Department of Health Care
Policy & Financing

Overview

- HB15-1151
- FY2015-16 Targeted Rate Increase Recommendations
- Ongoing Annual Rate-Review Approach

HB 15-1151

Of 17,336 Medicaid codes,

- 11,666 codes have both Medicaid and Medicare rates
- 5,670 codes (33%) do not have a comparable Medicare rate

Additional research is needed to find other sources of information

Analysis to price the cost of moving all rates to a percentage of Medicare or other comparable rates requires more time

Legislative Request for Information Alternative

On November 1, 2015 Department will submit to JBC:

- A side-by-side comparison of Medicaid rates with their comparable Medicare rate
- Comparisons between Medicaid rates without comparable Medicare rates based on other usual and customary rates or other analysis
- The ability to price out the cost of bringing all those rates to a certain percentage of Medicare

FY2015-16 Targeted Rate Increase Recommendations



FY 2015-16 Targeted Rate Increase Recommendations

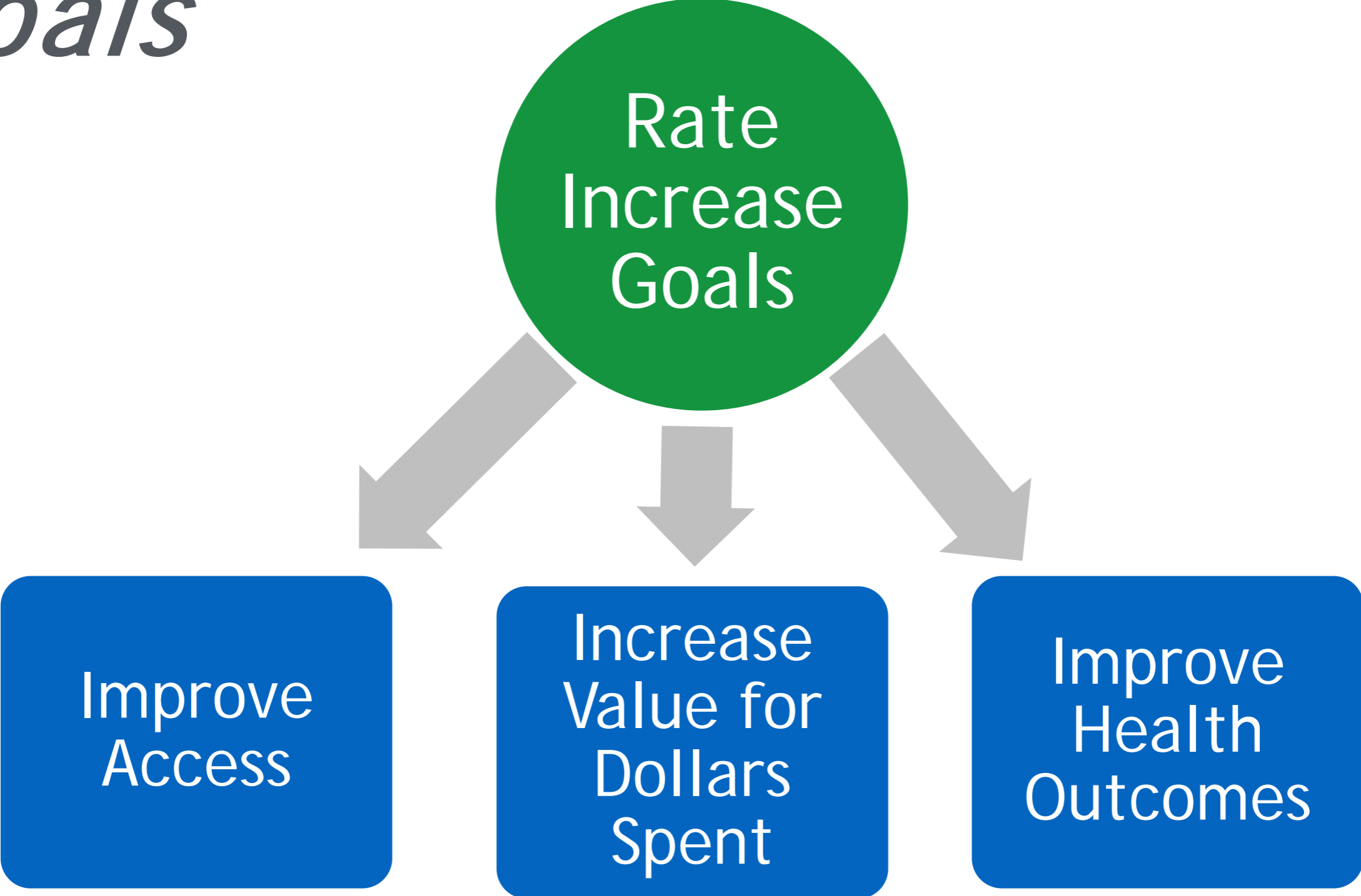
FY2015-16 R-12 Budget Request

0.5% Across the board increases for eligible Medicaid providers

\$16.5 Million for targeted rate increases



Targeted Rate Increase Goals



Preliminary FY 2014-15 Targeted Rate Increase Impact

Pediatric Developmental Assessments

- 50% increase in providers billing for service, more than doubled number of clients receiving services from 119 to 294

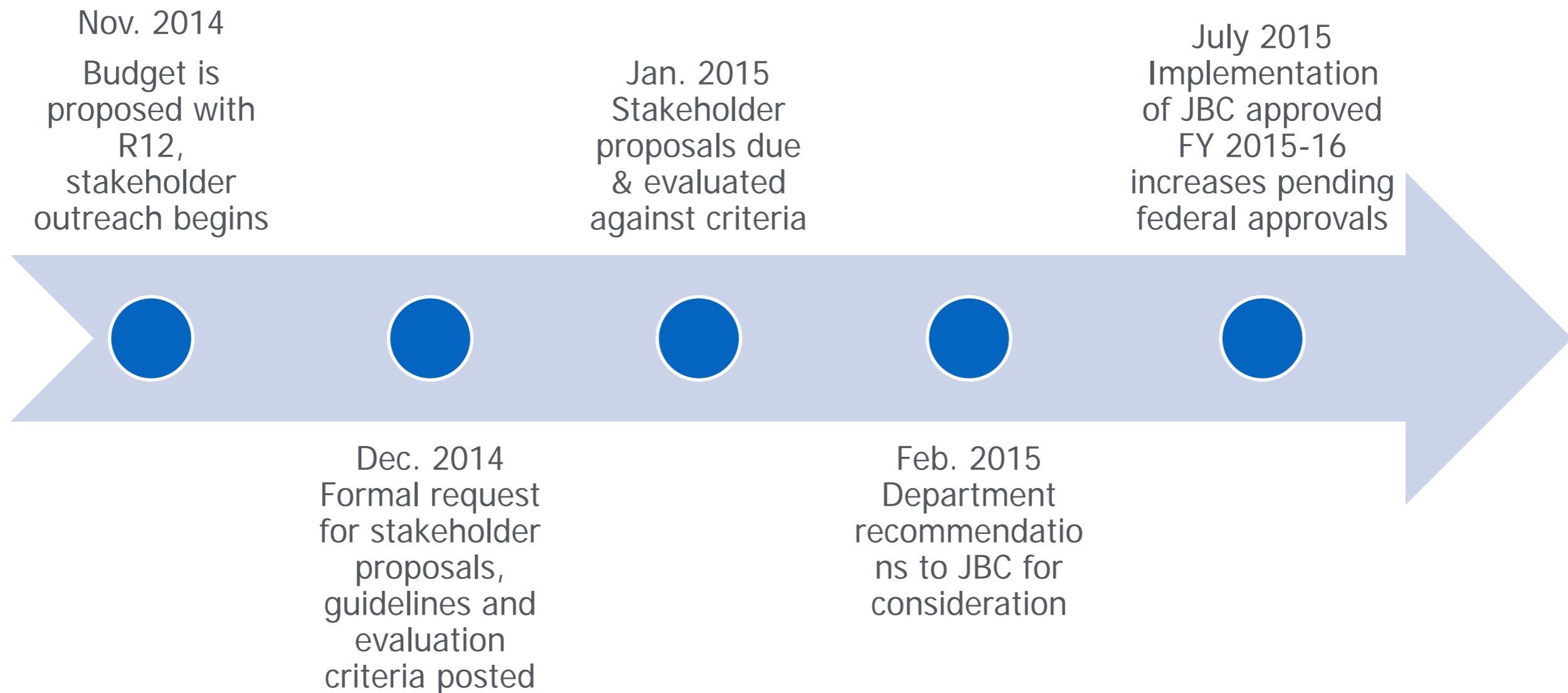
Eye Exams

- Increases in the percentage of providers billing for this service and number of clients receiving this service

Breast Cancer Imaging

- Increases in the percentage of clients served and providers using those codes

FY 2015-16 Timeline



FY2015-16 Recommendations

The Department is recommending targeted rate increases for **13 services.**

The estimated total cost of these increases are **\$16,302,540.**

Proposal Requirements

- ✓ A focus on ensuring or improving client access to cost-effective care
- ✓ A specific service or units of service recommended for increase
- ✓ The percentage and dollar amount recommended for increase
- ✓ Any known challenges and barriers to implementation
- ✓ An explanation of how increase would incent more providers to delivery the service(s)

The proposals were also evaluated on operational and programmatic feasibility and sustainability, the ability to implement by July 1, 2015, pending federal approval when needed.

FY 2015-16 Recommendations Summary Slide

- Special Connections outpatient group rate
- Special Connections per diem rate
- Prostate biopsies
- Diabetic management group visits
- Dental x-rays
- Fluoride varnish
- Dental sealants for children
- Vision retinal services
- Eye materials
- Physical and occupational therapy services
- Prenatal and postpartum care services
- Selected office injectable drugs
- In-home respite

Proposals Evaluated not Recommended

The most common reasons that proposals were not recommended were:

- The proposal had known barriers to implementation or were not administratively feasible by July 1, 2015
- The percentage and dollar amount requested
- The recommendations could not be implemented state-wide

FY2015-16 Recommendations

The Department is recommending targeted rate increases for **13 services.**

The estimated total cost of these increases are **\$16,302,540.**

Ongoing Annual Rate- Review Approach



FY2014-15 Request for Information #1

Submit a plan for an ongoing annual process to

- Address disparities in Medicaid rates that limit client access to cost-effective care
- Include opportunities for legislative input and modification
- Provide actions that can be taken when state funding for rates is flat, declining or increasing

The plan should include an estimate of administrative costs and any statutory changes that may be necessary.

Four Phase Process

- I. Access, Service, Quality, Utilization Analysis
- II. Rate Review and Stakeholder Input
- III. Budget Review
- IV. Legislative Approval and Rate Change Implementation

Administrative Resources for Annual Rate Review



Thank You



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Department of Health Care
Policy & Financing