

DEPARTMENT OF HEALTH CARE POLICY AND FINANCING AND  
HIGHER EDUCATION (UNIVERSITY OF COLORADO)  
FY 2017-18 JOINT BUDGET COMMITTEE HEARING AGENDA

**Tuesday, January 3, 2017**  
**4:30 pm – 5:00 pm**

**MEDICAID FINANCING FOR CU SCHOOL OF MEDICINE FACULTY**

*INTRODUCTIONS AND OPENING COMMENTS*

- 1 How would financing for the University of Colorado School of Medicine through the Medicaid program work? Would educational programs be affected?
- 2 What would be the benefits for the Medicaid program? Are there specific access goals for outside this area in rural areas? Is the primary motivation to increase access or is it to improve doctor reimbursements?
- 3 How would Medicaid financing for the School of Medicine affect access to care for all people (not just Medicaid clients) in rural and underserved regions of the state, and especially access to specialty care?
- 4 How much higher would new CU faculty reimbursement rates be than the reimbursements for other providers?
- 5 Which providers would this affect? Is it just the state sponsored medical school faculty? Where do these faculty provide clinical care? Explain the relationship, if any, with UCHHealth.
- 6 Are any further statutory changes needed to implement this or just legislative budget action?
- 7 What is the likelihood that this “creative” financing for the School of Medicine might get approved by the new administration of the Centers for Medicare and Medicaid Services (CMS)? What are the precedents for this type of financing from other states?

**DEPARTMENT OF HEALTH CARE POLICY & FINANCING AND HIGHER EDUCATION  
(University of Colorado)**

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**Presenters:**

University of Colorado

*John J. Reilly, Jr., MD, Dean University of Colorado School of Medicine and Vice Chancellor for Health Affairs*

*Jane Shumaker, Sr. Associate Dean for Administration and Finance - University of Colorado School of Medicine and Executive Director, University of Colorado Medicine (formerly known as University Physicians, Inc.)*

Department of Health Care Policy and Financing

*John Bartholomew, Chief Financial Officer*

*Dr. Judy Zerzan, Chief Medical Officer*

*Josh Block, Budget Director*

*Nancy Dolson, Special Financing Division Director*

**Medicaid Financing for CU School of Medicine Faculty**

***Introductions and Opening Comments***

**1. How would financing for the University of Colorado School of Medicine through the Medicaid program work? Would educational programs be affected?**

*The Department of Health Care Policy and Financing is the sole state agency authorized to draw down federal Medicaid funds. In order to receive the federal Medicaid match, state funds must be put forth. For the proposed supplemental payment to the University of Colorado School of Medicine (CUSOM), \$61.9 million General Fund designated for CU Anschutz through the Department of Higher Education would be transferred to the Department of Health Care Policy and Financing. The reappropriated \$61.9 million would then be used to draw a matching approximately \$61.9 million in federal Medicaid funds.*

*There is no negative impact on educational programs at the CUSOM or CU Anschutz as a result of this proposal. University Physicians Inc. (UPI) will allocate funding (equal to the amount that is transferred from the Department of Higher Education to the Department of Health Care Policy and Financing) back to CU Anschutz for educational programs and operations.*

**2. What would be the benefits for the Medicaid program? Are there specific access goals for outside this area in rural areas? Is the primary motivation to increase access or is it to improve doctor reimbursements?**

*The University of Colorado School Of Medicine (CUSOM) is an essential provider of primary care and specialty care for Colorado's Medicaid patients. CUSOM providers at CU Anschutz and Children's Hospital Colorado had 537,002 encounters with Medicaid patients in FY 2015-16. The primary motivation of this proposal is to expand high quality specialty and primary care health care services to Medicaid patients in Colorado. This new approach will cover the cost of serving more Medicaid patients in urban and rural Colorado through a variety of mechanisms as outlined in the table at the end of this response. The table also lists anticipated outcomes including the number of additional Coloradans that will be served. This funding will increase the physical presence of CUSOM providers that serve Medicaid patients in rural areas of the state.*

*Currently, CUSOM physicians subsidize the cost of providing Medicaid services with revenue earned from commercial payers. CUSOM physicians are committed to serving the Medicaid population. To do this, they manage their patient mix to ensure adequate commercial patient revenue to subsidize their Medicaid patients. Unlike private physicians who may decline to see Medicaid patients or limit the number of Medicaid patients they see, our physicians are committed to serving Medicaid patients and would like to reduce wait times in order to treat more patients. Our ability to subsidize with commercial payments is limited. This proposal will allow CUSOM to hire and retain additional specialists so we can provide more care directly to Medicaid patients and further improve rural access through increase physical presence as well as telemedicine and e-consults.*

**3. How would Medicaid financing for the School of Medicine affect access to care for all people (not just Medicaid clients) in rural and underserved regions of the state, and especially access to specialty care?**

*While this proposal's objective is to enable CUSOM providers to expand specialty care and primary care services for the Medicaid population throughout Colorado, it will have indirect benefits through more access for many other Coloradans.*

- *Expand patient volume. Enhanced payments will allow us to expedite care for existing patients' volumes which will increase capacity through recruitment of adult and child health specialists. More specialty care physicians in more locations will improve access for all.*
- *Expand Access and Enhance Care utilizing practices from the medical home model. This is a model that may include a team of providers including nurse practitioners, behavioral health providers, social workers, and pharmacists who attend to the needs of the patient, provide patient centered care, and enable physicians to see more patients.*
- *Expand Telemedicine. Telemedicine allows specialty physicians to expand their reach to both patients and community based physicians who wish to consult with them. UPL funds would be used to provide more CUSOM physician time to devote to telehealth. More telemedicine locations will benefit all who live in the targeted rural areas.*
- *Increase scholarships to provide additional support for the CUSOM rural track students who wish to spend time in rural areas as part of their medical school experience. It is anticipated these investments contribute to an increase in physicians practicing in rural areas. More physicians practicing in rural Colorado will benefit rural communities in general. Other initiatives include investments in programs to reduce the total cost of care.*

#### **4. How much higher would new CU faculty reimbursement rates be than the reimbursements for other providers?**

*This proposal will expand services to the Medicaid eligible population as a result of supplemental payments through utilization of the upper payment limit. It is difficult to compare total reimbursements for providers. All providers have the same base fee for service Medicaid rates, but some providers receive alternative payment mechanisms such as encounter based payments. In this proposal we are seeking a supplemental payment. While these mechanisms are different both methodologies are intended to increase access to care. The supplemental payment is calculated based on the average commercial reimbursement rate. The specific rates for other providers are unknown because physicians are not permitted by anti-trust regulations to share their commercial contract rates. We do know that at least 30 other states provide supplemental Medicaid payments to selected physicians and other professionals through this upper payment limit mechanism.*

#### **5. Which providers would this affect? Is it just the state sponsored medical school faculty? Where do these faculty provide clinical care? Explain the relationship, if any, with UCHHealth.**

*The UPL payment will affect the CUSOM faculty who are medical providers that are members of UPI. These medical providers include:*

- *Physicians;*
- *Certified Registered Nurse Anesthetists (CRNA);*
- *Physician Assistants;*
- *RN Clinical Nurse Specialists;*
- *Nurse Midwives;*
- *RN Nurse Practitioners;*
- *Psychologists;*
- *Licensed Clinical Social Workers;*
- *Optometrists; and*
- *Dentists.*

**CUSOM faculty would be receiving the UPL reimbursement, not the facilities where they practice medicine.**

*Our physician bill for services separate from the hospitals where they provide care. That means that when an individual receives care from a CUSOM physician at UCHHealth facility, the individual will receive two bills. One from the physician and one from the hospital. This proposal is for the physicians alone. Not the hospitals.*

***None of the \$61.9 million in new revenue from this proposal will go to hospitals.***

*CUSOM faculty members provide clinical care at Children's Hospital Colorado and the University of Colorado Hospital, which is part of UCHHealth. They also provide outpatient care in UCHHealth and Children's clinics in the metro area, Colorado Springs and Boulder as well as services at Denver Health, Memorial Hospital, the Veteran's Administration Hospital, and some community hospitals.*

*UCHHealth is a separate entity from the University of Colorado School of Medicine.*

## **6. Are any further statutory changes needed to implement this or just legislative budget action?**

*No. During the 2016 legislative session H.B. 16-1408 passed which included explicit authorization to utilize the funding for Specialty Education Programs to the CU Anschutz Medical campus for state matching Medicaid dollars. The remaining steps are purely budgetary and related to the spending authority for the Department of Health Care Policy and Financing (HCPF) as well as the new footnote and letter note in the Department of Higher Education budget as described in detail in the HCPF R-I-2 decision item in November 1, 2016 FY 2016-17 budget request.*

## **7. What is the likelihood that this “creative” financing for the School of Medicine might get approved by the new administration of the Centers for Medicare and Medicaid Services (CMS)? What are the precedents for this type of financing from other states?**

*The physician supplemental payment or upper payment limit (UPL) program is non-controversial, as is the use of an existing appropriation as the state share of the supplemental payment. These Medicaid payment mechanisms are well-established in federal guidance and over 30 states set reimbursement rates for selected physicians at the average commercial rate, including Georgia (home state of nominee for Secretary of the Department of Health and Human Services, Representative Tom Price). Indiana (home state of nominee for Administrator of the Centers for Medicare and Medicaid Services, Seema Verma) is currently modernizing their physician supplemental payment program into the average commercial rate and we understand that Ms. Verma is aware and supportive of the program in her home state.*

*In the past two years, at least three other states have implemented a similar methodology upon receiving state and federal approval. Additionally, note that Colorado already has a supplemental payment program for other physicians that uses a certified public expenditures methodology.*

*In September 2016 the Department of Health Care Policy and Financing submitted a State Plan Amendment to CMS proposing this supplemental payment to CUSOM to allow payments to begin in FY 2017-18 if the proposal is approved by the Joint Budget Committee and General Assembly. (If the Joint Budget Committee does not approve the proposal, the State Plan Amendment will be withdrawn.) The Department of Health Care Policy and Financing has been in communication with CMS since that time explaining the proposal, the benefits to Colorado’s Medicaid program, and answering technical questions about the payment calculation. As such we expect federal approval in the next administration.*

*Proposed Use of Additional Funds*

Proposed Use of Additional Funding (in Millions)		Descriptions	Measurement or Outcome
Expand Patient Volume	\$ 32.8	Expand physician and advanced practice provider patient volumes for primary and specialty care for adults and children.  CUSOM physicians saw 164,756 unique Medicaid Patients in 2016. Current Year Common Procedure Codes (CPT) count for Medicaid patients is 942,202, these are individual services provided to patients.	Increase the number of Medicaid visits provided by CUSOM physicians by approximately 10,000 patients which will result in approximately 56,000 patient services provided. Of the 10,000, 1,500 are anticipated to be Primary Care patients receiving full medical home services.
Expand Access and Enhance Care Using Medical Home Model	\$ 17.9	Expand full medical home services from 5,500 to 7,000. Medical homes may be provided by Internal Medicine, Behavioral Health, Family Medicine, Geriatrics, Obstetrics, and Infectious Disease (HIV) as well as enhanced comprehensive services to children.	
Expand Targeted Rural Patient Access	\$ 5.3	Expand in-person specialty services in and outside of the Denver metropolitan area by recruiting additional specialty providers and/or increasing time available from current providers; e.g., rheumatology for adult patients and expanded specialty care for children in Durango, Colorado Springs, and Pueblo.	10 FTE Pediatric and Adult Subspecialists. While specialties vary and each specialist can only accommodate so many visit and services per week, an increased level of services will be delivered via this additional provider capacity.
Expand Telemedicine	\$ 2.1	Expand adult and pediatric specialty reach to rural locations through telehealth and e-consults in partnership with local rural providers. Provide technology and specialist time in areas identified by rural communities.	Current estimates are that telemedicine has the opportunity to increase Child Health Access by 10% which would represent 22,000 additional specialty outpatient visits for Colorado children. Increased telehealth visits should also enhance timeliness of specialty care access noted above.
Investment to Achieve Cost Reductions and Expand Transition of Care	\$ 1.3	Reduction of the total cost of care through decreased ED utilization and readmissions as well as implementation of referral and utilization management tools that align with Colorado Medicaid strategies. Aligns with Colorado Medicaid strategies. Reduction in total cost of care by investing in 4 case managers and 2 pharmacists.	4 Case managers and 2 pharmacists
Investment in Evidence Based Outcomes	\$ 1.0	Investment opportunities in current innovation activities underway that have evidence based outcomes such as Bridges to Care, SIM innovation grant, Patient Centered Medical Home, etc.	Higher quality performance and improved care models (eg embedded behavioral health). This programs seek to enhance primary care access, enhance behavioral health access and better coordinate a patient's physical and behavioral health. Combined the programs seek to improve health quality and lower costs.
HCPF Implementation	\$ 0.8	Funding provided to HCPF for staff needed to implement the programs.	HCPF Implementation Staff
Additional Family Medicine Residencies	\$ 0.5	Family Medicine Residency Training Program	Colorado Commission on Family Medicine to fund an additional resident per year for the first three years, totaling to three additional residents in FY 2019-20 and ongoing.
Targeted Scholarships (Rural services)	\$ 0.2	Increase UPI Medical School Scholarships to target rural track students. Goals of reducing student debt and encourage practice in underserved areas.	Scholarships and rural track support
<b>Total</b>	<b>\$ 61.9</b>		