Legislative Council Staff
Nonpartisan Services for Colorado's Legislature

Memorandum

Room 029 State Capitol, Denver, CO 80203-1784
Phone: (303) 866-3521 • Fax: (303) 866-3855
lcs.ga@state.co.us • leg.colorado.gov/lcs

February 11, 2022

TO: Joint Technology Committee Members

FROM: Luisa Altmann, Senior Research Analyst, 303-866-3518
Joint Technology Committee Staff

SUBJECT: JTC Staff Analysis of JBC-Referred FY 2022-23 Operating Budget Request
Colorado Department of Health Care Policy and Financing
R-06 Value Based Payments

Summary of Request

The Colorado Department of Health Care Policy and Financing (HCPF) is requesting $22,850,574 total funds, including $7,403,648 General Fund, and 9.6 FTE in FY 2022-23, and $14,227,538 total funds, including $4,671,497 General Fund, and 10.0 FTE in FY 2023-24, for the planning and implementation of three mandatory alternative payment models (APMs) and to establish Colorado Providers of Distinction programs. Of these amounts, $10,465,527 total funds in FY 2022-23, and $8,551,637 total funds in FY 2023-24 is being requested for the development of various analytics tools and systems costs, which are outlined below.

The Joint Budget Committee (JBC) has asked the Joint Technology Committee (JTC) to provide a technical review of the technical aspects of this request. JBC Staff has also recommended that the JTC provide ongoing tracking and oversight of these projects.

Additional background on this request may be found in the staff issue that begins on page 52 of the JBC Staff Briefing document from December 3, 2021, which is provided as an attachment.[1] Responses the department provided to JTC staff questions are also provided as an attachment.

Alternative Payment Models

The department is requesting funding to implement the following three mandatory APMs, which are designed to provide incentive payments for the delivery of high-quality and cost-effective health care. A significant portion of the funding for these APMs will be used for system costs to develop and maintain the APMs, including expanding the department's ability to gather and analyze data for each of the APM's quality metrics and create a dashboard that all providers, the department, and

[1] https://leg.colorado.gov/sites/default/files/fy2022-23_hcpbrf.pdf.

contractors may access and update in real time. The department has assumed a federal financial participation (FFP) match rate of 90 percent for costs related to the design, development, and implementation, and a FFP of 75 percent for ongoing maintenance and operation expenses. The remainder of the funding from this request will be used for stakeholder engagement, actuarial contractors, and program consulting work.

Pharmacy prescriber APM. The department is requesting funding to implement an APM that will require prescribers to enable the Pharmacy Prescriber Tool with mandatory participation starting in FY 2022-23. The Pharmacy Prescriber Tool, which was originally created and funded in Senate Bill 18-266, connects physicians to the HCPF preferred drug list (PDL), which reflects current information on the most appropriate and cost-effective drugs. Prescribers earn shared savings as they increase their percentage of prescriptions of drugs that come from the PDL, or the lower cost option between multiple drugs on the PDL. The department has been developing and implementing the model within existing resources during FY 2021-22 and has hired a vendor to help engage prescribers, stakeholders, and Medicaid members in the design of the model. As part of this work to develop the model, the department is requesting $901,839 total funds, including $225,460 General Fund, in FY 2022-23, and $898,281 total funds, including $224,570 General Fund in FY 2023-24 for analytical tools and systems costs.

Maternity bundle APM. The department is requesting funding to expand the maternity bundled payments model, which was originally implemented by the department in November 2020 with the intent of improving maternal health, to all 242 obstetrical providers in the state, with mandatory participation starting in FY 2023-24. The department also requests to expand the program to include costs and outcomes for the neonate. Under the bundled payment methodology, the department sets a target budget for the entire maternity episode, including all services related to that condition, which is based on a historical average expenditure for the episode, with a targeted reduction to the costs associated with avoidable clinical events, such as a Ceserean delivery for a low risk pregnancy. According to the department, under this APM, if expenditures were higher than the budget, the main care provider will ow the department 50 percent of the difference; if expenditures were lower than the budget, the department will share 50 percent of the savings with the obstetrical care provider if all quality goals were met. As part of this work, the department is requesting $4,614,060 total funds, including $461,406 General Fund, in FY 2022-23, and $1,351,015 total funds, including $337,754 General Fund, in FY 2023-24, for analytical tools and systems costs. These costs will include funds for the design, development, and implementation of a data sharing solution integrated with the Colorado Medicaid Business Intelligence and Data Management (BIDM) system, which will also be designed to integrate into provider electronic health records. The department is also requesting funding for the ongoing maintenance and operations of this data sharing solution.

Primary care physician partial capitation APMs. The department is requesting funding to implement a prospective partial capitation APM for both adult and pediatric primary care, with mandatory participation in the APMs by providers beginning in FY 2024-25. Under the model, providers will select the share of monthly revenue attributed to the prospective payments and the rest will come from fee for service payments. The program will allow providers to earn shared savings from reductions in the total cost of care on their patient panel. As part of this work, the department is requesting $2,698,526 total funds, including $269,852 General Fund, in FY 2022-23, and $4,951,326 total

funds, including $495,132 General Fund, in FY 2023-24, for analytical tools and systems costs. These costs will include funds for the design, development, and implementation of a data sharing solution integrated with the Colorado Medicaid BIDM system, which will also be designed to integrate into provider electronic health records. The department is also requesting funding for the ongoing maintenance and operations of this data sharing solution.

Colorado Providers of Distinction Programs

The department is also requesting funding to plan and implement separate Colorado Providers of Distinction programs in primary care, specialty care, and hospital-based procedures to identify providers that deliver high-value care and demonstrate better outcomes for patients. As part of this work, the department is requesting $2,251,102 total funds, including $225,110 General Fund, in FY 2022-23, and $1,351,015 total funds, including $337,754 General Fund, in FY 2023-24, to design and implement a solution which will integrate the Colorado Providers of Distinction analytics with the department's eConsult system, which is currently under development, to influence referrals between primary care and specialty care.

Options for Committee Action

The JTC has three options for committee action when it provides a technical review of an operating budget request to the JBC. The JTC can:

- recommend the request to the JBC for funding with no concerns;
- recommend the request to the JBC for funding with concerns; or
- not recommend the request for funding with concerns.

COLORADO
Department of Health Care Policy & Financing

1570 Grant Street
Denver, CO 80203

January 21, 2022

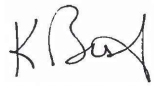
The Honorable Brianna Titone
Joint Technology Committee
Colorado General Assembly
200 E. Colfax Avenue
Denver, CO 80203

Dear Senator Bridges:

Enclosed please find the Department of Health Care Policy & Financing's responses to questions from the Joint Technology Committee regarding the R-06 Value Based Payments operating budget request for FY 2022-23.

If you require further information or have additional questions, please contact the Department's Legislative Liaison, Jo Donlin at Jo.Donlin@state.co.us.

Sincerely,



Kim Bimestefer
Executive Director

Enclosure(s): The Department of Health Care Policy & Financing's responses to Joint Technology Committee questions on R-06.

cc: Senator Jeff Bridges, Vice Chair, Joint Technology Committee
Representative Mark Baisley, Joint Technology Committee
Representative Tracey Bernett, Joint Technology Committee
Senator Chris Kolker, Joint Technology Committee
Senator Kevin Priola, Joint Technology Committee

Tracy Johnson, Medicaid Director, HCPF

Bonnie Silva, Community Living Interim Office Director, HCPF
Tom Massey, Policy, Communications, and Administration Office Director, HCPF
Anne Saumur, Cost Control Office Director, HCPF
Bettina Schneider, Finance Office Director, HCPF
Parrish Steinbrecher, Health Information Office Director, HCPF
Rachel Reiter, External Relations Division Director, HCPF
Jo Donlin, Legislative Liaison, HCPF

Joint Technology Committee (JTC) Staff Questions
Please respond by Friday, January 21, 2022

to: jtc.ga@state.co.us

1. Please summarize how this request aligns with the Governor's Office of eHealth Innovation, Colorado Health IT Roadmap.

Response: The Department of Health Care Policy & Financing (the Department) works very closely with the Governor's Office of eHealth Innovation and is a key stakeholder in developing the Colorado Health IT Roadmap while acting as OeHI's fiscal agent. In addition, the Department's Deputy Chief of Staff serves as the Department's representative on the eHealth Commission. Further, the Department's Deputy Chief of Staff worked closely with the team that developed the R-06 Value Based Payments budget request, and then worked with CMS to reach approval of the funding and solicitation. This direct alignment assures that budget requests that fund technology solutions are aligned between the Department and OeHI.

From the updated Colorado Health IT Roadmap issued in November 2021, the R-06 Value Based Payments budget request aligns with the following goals by providing members, providers, and stakeholders information on which providers are providing the high-quality services with the best outcomes.

Roadmap Goal 1: Coloradans, providers, payers, community partners, state, local, and Tribal agencies share data and have equitable access to needed health and social information.

Affordability

- For patients and consumers, sharing data and information across providers that is relevant and permissible can reduce duplicative and unnecessary services, lower costs, reduce time spent completing duplicative paperwork, and minimize unnecessary in-person visits.

- For providers, organizations, payers, and patients, sharing quality data and information across a shared infrastructure leads to better health outcomes and lower costs. This information can be used to reduce administrative burden with quality measure reporting, which lowers costs and incentivizes high-quality, coordinated care. Metrics and reporting for current and planned payment reform initiatives in the Office of Saving People Money on Health Care, the Behavioral Health Administration, Health First Colorado (including Alternative Payment Models for Primary Care and the Hospital Transformation Program), and commercial payers could be facilitated through improved data and information sharing.

Roadmap Goal 2: Coloradans access high-quality in-person, virtual, and remote health services that are coordinated through information and technology systems.

Affordability

- Convenient, efficient, and accessible services support Coloradans in getting the right care at the right time, avoiding costly visits to the emergency department.

Access

- The Department of Health Care Policy & Financing is supporting efforts to expand e-consults for Health First Colorado members to facilitate access to specialty care.

2. Regarding all the technical solutions in the budget request, please describe the department's plan to ensure the Governor's Office of Information Technology (OIT) best practices and standards will be implemented, including ensuring OIT security controls, account access management, IT solicitation, vendor contract recommendations, and disaster recovery.

Response: The Department currently funds two dedicated security resources that report directly to OIT thereby ensuring that the Department is not only leveraging, but supporting OIT best practices and standards for IT security and disaster recovery. The Department procurement and contracts team collaborates with and follows the OIT procurement and contracts process and requirements. Additionally, the Department collaborates with OIT to obtain Authority to Operate (ATO) for systems and approvals for vendor network/architectural security. Regarding system account management, OIT manages all network access and vendor architecture and network approvals, and all access requests into the state network. For vendor system access, the Department has established business workflows that govern those processes.

3. Regarding the Pharmacy Prescriber Tool and the PDL, please provide more technical information. Is it web-enabled, commercial off-the-shelf, custom software, or a cloud solution? Is it hosted by a vendor or the state? Please provide the technical platform, planned end-of-life cycle, and the organization(s) that provide technical support, and development. Please also provide a summary of the license model.

Response: The Prescriber Tool is a collection of modules accessible to prescribers through their EHR systems. The Department has contracted with Magellan Health (the Department's pharmacy benefit manager) to provide electronic prescribing (eRX), Real-Time Benefit Inquiry (RTBI), and electronic prior-authorization (ePA) capabilities. These capabilities are provided through commercial off-the-shelf modules which we have configured consistent with Medicaid pharmacy benefit policies. Magellan has partnered with Surescripts and Cover My Meds to support these modules and provide the Medicaid pharmacy and patient data to various EHR systems. To access these modules, providers need to have access to an EHR system which is integrated with Surescripts and Cover My Meds. Any required licensing would be for access to an EHR system. The EHR vendors provide technical assistance and support to users. The Department is also providing technical assistance and training to facilitate user adoption and utilization of these modules.

The Prescriber Tool also includes an opioid risk mitigation module provided through the Opisafe platform. The Department has contracted with Rx Assurance to provide this module which is also accessible through EHR systems. This platform is also a commercial off-the-shelf product that provides Medicaid-specific pharmacy and patient information. An individual user license is needed from Rx Assurance for access to this module, in addition to access to an integrated EHR system. Rx Assurance provides technical assistance and support to users of its platform. Since the Prescriber Tool is a modular solution provided by vendors, any end-of-life plan will consist of transferring the data and applications to new vendors when the contracts expire and a new solicitation award if made. These types of transitions will be closely monitored by the Department and included in the contracts between the current and new vendors, assuming a new vendor is awarded a future solicitation award.

4. To mitigate any performance degradation, how has the department planned for the increased transactions between the Pharmacy Prescriber Tool and the PDL? If this is not applicable, please explain.

Response: The Preferred Drug List (PDL) is basically a Department-maintained list of preferred and non-preferred drugs so there are no transactions between the PDL and the Prescriber Tool. Therefore, degradation is impossible.

5. Technically, are there any differences between the data sharing solution for the Maternity Bundle APM and the Prospective Partial Capitations to PCPs? Please describe the technical differences, or confirm this is the same technical solution? Also, please provide operating budget estimates to maintain the data sharing solution(s) after implementation.

Response: The Department is hiring a vendor with the funding from R-6 to determine what the final data sharing solution will be. Since we have not purchased the final data sharing solution, we can only provide educated guesses based on similar experience and market research the differences or similarities between the Maternity Bundle APM and Primary Care Partial Capitations to PCPs. The Department predicts that there will be some similarities in databasing, hosting. and the user-facing functional components of these projects. From our market research and similar experience, we believe that they will both have a portal and dashboard that show similar categories of data/information. We predict that despite these similarities, a majority of the work required to be done has significant variation.

Specifically, the following items will be different:

1. Required claim dataset.

2. The algorithm and definitions of provider cost, service quality performance, shared saving.

3. Calculation methodologies of provider cost, service quality performance, shared saving.

These differences result in the technical solutions being substantially different.

On-going operating budget estimates will be dependent on the outcome of the associated procurements and will be included as part of the evaluation.

4. Regarding the data sharing solution that will integrate different types of provider electronic health records (EHRs) systems with the existing HCPF Medicaid Business Intelligence and Data Management system (BIDM), please provide more technical information to support the estimates.

    a. Is the data sharing solution middleware using a service-oriented architecture? What tier in the system architecture will the algorithms process?

Response: The Department cannot provide this level of technical information at this time since the solicitation has not been issued, and the technology solution that the vendor will provide to connect to EHRs and the BIDM have not been presented. How the selected vendor plans to integrate the information into a provider's EHR and then integrate into the Department BIDM will be part of the selection process. The Department expects that vendors will provide a solution with APIs that allow data to be transmitted between EHRs and the BIDM. Such APIs will be required to follow the security protocols established by OIT.

b. Does the department plan to use a third-party tool for the data sharing, or the algorithms, or both? Is any part of the data sharing solution custom code, or possibly vendor intellectual property?

Response: While the final solution is subject to a solicitation process using an Invitation to Negotiate (ITN) that may result in a different solution, we anticipate that both data sharing and algorithms will be third party tools managed directly by the vendor. While the Department may select a COTS product, there will be implementation and configuration pieces that are unique to Colorado. This is similar to how all systems are managed by the Department's contractors (e.g., the Department's claims processing system, data analytics system, pharmacy system, prior authorization system, future eConsult system). Even if the vendor provides a solution that is considered their intellectual property, the contract will contain requirements that the Department has licensing and use of the solution without direct support of the vendor and that the information can be transferred to another party or the Department when the contract ends. Working with OIT on security and interoperability standards that will be included in the contract, the Department has experience and understands how to contract for these types of technology solutions.

5. The department and providers may experience system performance degradation due to the integrations and additional load. Please summarize the department's plan to conduct performance testing before implementation.

Response: The Department conducts load testing with large system implementations, to simulate volumes and ensure the system is performing as expected. This plan is included in the User Acceptance Testing of the systems prior to approving production release. This contract requirement to perform load testing will be included in the vendor contract(s).

6. Please provide greater details regarding the cost estimates included in the budget request for the "Analytical Tools & Systems Costs" line items for each of the following, such as the exact system work that is planned to be done, individual components of these costs, and how these costs were estimated (RFIs, etc.):

    - Pharmacy Prescriber APM: $901,839
    - Maternity Bundle APM: $4,614,060
    - Primary Care Adults APM: $1,349,263
    - Primary Care Pediatrics APM: $1,349,263
    - Colorado Providers of Distinction: $2,251,102

Response: The Department has received approval from the Centers for Medicare and Medicaid Services (CMS) on the Advanced Planning Document on 1/4/2022 for use of 90/10 funds for the entirety of the Analytical Tools and Systems Costs line item. Each individual component is explained in greater detail below:

Pharmacy Prescriber APM:

The Department intends to develop a portal and dashboard to show practice utilization of pharmacy services relative to peer practices, provider service quality and performance data, and information to help each practice make informed decisions around their prescribing behavior, such as prescribing behavior for certain classes of medications. This information will help practices adjust their behavior to increase the likelihood of success in the Pharmacy Prescriber APM.

The entire cost of the portal and dashboard are based on similar work being done by the Department, an estimated number of hours, as well as market research. The development of the portal to be used by an estimated between 3,000 and 4,000 practices is $600,000 and the data integration is estimated at $301,839.

Maternity Bundle APM:

Development of a portal and dashboard that show data/information such as service utilization data, provider cost performance data, provider service quality performance data, gap analysis, and saving calculations using both claims and clinical data elements. The clinical data elements will be extracted from obstetric practices electronic health records and aggregated for both quality assurance and payment purposes using a variety of measures that are nationally maintained and recognized by the National Committee for Quality Assurance and other industry standards. It was estimated based on previous clinical data extraction and aggregation efforts with primary care practices that the cost per maternity practice will be roughly $11,000. The cost of calculating a measure is estimated to be around $800 per measure with practices selecting an estimated six measures per practice. That brings total measure submission costs with 200 obstetric practices to roughly $3,160,000.

In addition to the practice-based work the Department will need to develop the measures in the solution that is selected. From previous clinical measure development work the Department estimated this cost to be around $30,000 a measure. The Department hopes to develop 20 measures for practices to select from at a total development cost of $600,000.

There will be costs associated with development of the portal and data integration into BIDM as well and we estimated these costs to be roughly $480,000 and $374,060 respectively based on the numbers of hours these projects are anticipated to take to implement and standard contracting rates the Department utilizes for these types of development work.

This brings the total to $4,614,060. Many of these costs are for initial development of a new program with a new population of providers with clinical data that the Department has not received in the past. As such the Department lowered estimates in FY 2023-24 when we will be able to focus on simply delivering measure scores to obstetric practices using the technology developed in FY 2022-23.

Primary Care Adults and Pediatric APMs:

The Department intends to develop a portal and dashboard to show primary care doctors clinical information for the management of patients with chronic conditions for adult primary care and a portal and dashboard to support pediatricians with relevant clinical information. The Department already collects clinical data from electronic medical records for both adult and pediatric primary care doctors in the APM 1 program which was funded through a FY 2017-18 budget request for delivery system and payment reform.

For adult primary care the vendor needs to develop the algorithms for the top 13 chronic conditions. This algorithm will have to be integrated with the Colorado data warehouse so the Department and providers can have as close to real time information as possible for the management of members with chronic conditions. This data around chronic episodes will be shared with Primary Care Medical Providers (PCMPs) through a portal with dashboard access where PCMPs can see utilization of services/cost, avoidable clinical events, and performance relative to their peers.

The pediatric APM is to be designed by the vendor who will be selected after R-6 is approved and funded and the episodes for the pediatric APM are unknown at this time. The Department expects the dashboard and portal will be similar to the chronic condition management solution for adult primary care and will need to be integrated with the Colorado data warehouse.

The Department estimated the costs for the portal and data integration based on the estimated number of hours to complete based on similar work, as well as market research. The Department estimates that the portal and dashboard will cost an estimated $800,000 for both adult and pediatric primary care. The increased cost is due to the complexity of modeling many different episodes of care with different views for end users. The estimated cost of the integration is $549,263.

Colorado Providers of Distinction:

The selected contractor will be tasked with implementing an episode grouping algorithm to produce outputs for a minimum of 10 episodes that show the typical and complication costs that are associated with various episodes of care, using the Tennessee Medicaid (TennCare) episode definitions as a starting point. Development of a portal and suite of visual analytics that displays provider performance, quality, safety, and efficiency metrics within episodes of care will also be required. The contractor will be tasked with exploring and

recommending optimal metrics to use, and the final decisions on the metrics that are used will be made by Department staff. Since the data will be disseminated to primary care and specialist providers, the contractor will also be tasked with integrating these visual analytics into the data systems that these providers use. The Department plans to use the eConsults platform to deliver these analytics to providers. The data is also intended to assist Medicaid members in choosing an optimal provider for their health care, so the analytics suite will need to be integrated into the resources that Medicaid members have access to, as well. To achieve that end, the analytics will be integrated into the Find a Provider tool, which is part of Colorado PEAK.

The estimated cost of the episode grouping algorithm and customization, based on stakeholder input, for providers of distinction is $750,000. The portal and suite of visual analytics is estimated to cost $250,000. The linkage with the eConsult platform is estimated to cost $750,000 and $250,000 with the Find a Provider tool. Since the data will be integrated in eConsults and the Find a Provider Tool, the Department would likely need a less robust solution than previously mentioned portals. The integration with the Colorado Medicaid data warehouse (BIDM) is estimated to cost $251,702 based on the lower number of providers who will qualify to become providers of distinction. Each of these estimates are based on similar work and the estimated number of hours to complete.

7. Please describe the department's change management plan for the IT changes envisioned in this request.

Response: The APM and Colorado Providers of Distinction projects will be assigned a project manager from the Department's Enterprise Project Management Office (EPMO) and will follow the EPMO's standardized project management process, including a change management process known as ADKAR. The EPMO also utilizes robust project management plans, that include communication, risk management, and operational readiness plans, to ensure communications and training occur timely, and risks are being managed and mitigated appropriately.

8. The budget request says that a vendor will link the episode-based analytics to the department's Find A Provider tool to provide members with information about the quality of care of different providers. Please provide more technical information about the Colorado Providers of Distinction. Is it a web portal displaying information from different sources, such as the Find A Provider tool? Will it provide data to other systems? (If preferred, provide a diagram.)

Response: The technical approach to delivering information to members about provider quality of care will be defined by the vendor we select. Our goal is to display information in

the Find a Provider tool that summarizes results for the provider's episode-based measures of cost, quality and safety performance through an integration with the web based Find a Provider Tool. The Find a Provider Tool is accessible to members through their PEAK accounts, and is integrated into the Health First Colorado mobile application. It is also publicly available online through the Colorado PEAK website.

On the provider side, data on episode cost, quality and safety performance will be integrated into the eConsults system to deliver data to primary care and specialist providers' electronic health records.

9. From a technical perspective, how will the Colorado Providers of Distinction link the specialist Provider of Distinction to the eConsult platform? What is the status of the eConsult platform, and if applicable, when is its planned completion date?

Response: Colorado Providers of Distinction will utilize the eConsult platform as it is developed. The selected vendor will help identify the best strategy to connect the tools. It is the Department's intention that Colorado Providers of Distinction would be listed as a higher priority match when seeking consults and providers would be directed to these high performing providers. The Department will be releasing an ITN this Spring for the eConsult platform. The platform is expected to be operational at the beginning of FY 2023-24.

10. Who are the user group(s) for eConsult and the Colorado Providers of Distinction? Will the Colorado Providers of Distinction ratings be available to the public? Why or why not? Will there be a fee to use the solution? Does the department plan to integrate with MyColorado at a later date?

Response: The user groups that the Providers of Distinction system are intended to reach are primary care and specialist providers, via the eConsults platform, and Medicaid members, via the Department's Find a Provider tool (a Medicaid provider directory). The Department plans to make the provider performance data free to access for the public, via the Find a Provider tool, with the intention of incentivizing providers to compete with each other on these metrics and attempt to become certified as a provider of distinction. To that end, it is beneficial for as many people as possible to have eyes on the performance data. At this time, the Department does not have the Medicaid provider directory in MyColorado since the Department focuses on the Medicaid and CHP+ populations rather than serving all Coloradans with health insurance. Further, individuals with private health insurance need to verify that providers are within their insurer's network before receiving any medical services. If OIT desires to iterate that information into MyColorado the Department could consider making that information available, since it will be publicly available.

11. The budget request explains that the "episode-based analytics and Find a Provider tool platforms will be updated . . . .[and] analytics to support primary care doctor referrals to specialists through eConsult will also require updates on an annual basis". Does the department plan to add a user administrator feature to the solution(s) that allows super-users to update the system instead of a developer? Why or why not?

Response: While the final solution is subject to a solicitation process using an Invitation to Negotiate (ITN) that may result in a different solution, we anticipate that the solution will not have an administrator feature since the solution will be maintained by the vendor.

JOINT BUDGET COMMITTEE

STAFF BUDGET BRIEFING
FY 2022-23

DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

PREPARED BY:
ROBIN J. SMART, JBC STAFF
ERIC KURTZ, JBC STAFF
DECEMBER 3, 2021

JOINT BUDGET COMMITTEE STAFF
200 E. 14TH AVENUE, 3RD FLOOR • DENVER • COLORADO • 80203
TELEPHONE: (303) 866-2061 • TDD: (303) 866-3472
https://leg.colorado.gov/agencies/joint-budget-committee

ISSUE: VALUE-BASED PAYMENTS (R6)

Alternative payment models are designed to provide incentive payments for the delivery of high-quality and cost-effective care. The Department of Health Care Policy and Financing is requesting funding to implement three alternative payments models. Provider participation would be mandatory.

SUMMARY

- The Department requests $22.9 million total funds, including $7.4 million General Fund, and 9.6 FTE for the planning and implementation or expansion of three alternative payment models in which participation by providers will be mandatory. In addition, the Department requests $11.4 million in roll-forward authority in the event that the development phase is delayed.
- The alternative payment models are intended to improve the quality and cost-effectiveness of care in the areas of prescription drugs, maternity care, and primary care for both adults and children.
- The Department plans to develop the alternative payment models in partnership with the Division of Insurance and the Department of Personnel in order to establish an aligned approach to value-based payment across public and private payers in Colorado.
- The Department plans to distribute incentive payments to providers out of savings if they meet specific requirements.
- Significant cost drivers in the Department's request are related to the design, development, and implementation of solutions intended to be integrated with existing IT platforms.

RECOMMENDATION

JBC staff recommends that the Committee consider asking the Department to respond to the following questions:

- Does the Department plan to participate in a Centers for Medicare and Medicaid demonstration project during which the effectiveness of the alternative payment models in the three practice areas for which funding is requested will be evaluated? If so, please provide information concerning the evaluation of the project(s).
- The Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) established models focused on shifting health care from fee-for-service to value-based care. Please discuss any models established at the federal level specific to Medicaid or the three practice areas for which funding is requested.
- The request indicates that the alternative payment models will be developed in partnership with the Division of Insurance and the Department of Personnel to establish an aligned approach to value-based payments in the State. Please discuss the roles of each of the Departments.
- The Department intends to make provider participation in the alternative payment models mandatory. Since participation in Medicaid itself is not mandatory, how will the Department ensure that the number of Medicaid providers will not decrease when the models are implemented?
- Pharmacy Prescriber Tool:
    - What formal evaluation of the Pharmacy Prescriber Tool has been or is being performed and what metrics are evaluated in the process? Specifically, what metrics are evaluated in measuring utilization management?

    - How is the preferred drug list developed? What factors are considered when adding a drug to the list? How frequently is it updated? What involvement do pharmaceutical companies have in the development of the preferred drug list?
    - If evaluations of the Pharmacy Prescriber Tool indicate that the desired outcomes are achieved, are the incentive payments to prescribers intended to continue in perpetuity?
    - In which line item do under-expenditures exist that are allowing the Department to develop and prepare to implement the model within existing resources in FY 2021-22.
- Maternity Care Bundled Payments:
    - How will the Department account for diminished patient outcomes that result from things that are beyond the physicians control when developing the algorithm for payment distribution?
    - The target budget for the "entire maternity episode" will include all services related to "that condition." Is there only one set budget for all risk level of this type of episode, or are there variable budgets that account for members who are experiencing high-risk pregnancies? How do payments to providers who see a larger percentage of patients with high-risk pregnancies compare with payments to those who see fewer at-risk patients?
    - What quality goals are measured in this program? Is there a formal evaluation of the effectiveness of the program in both reducing costs and improving patient outcomes?
    - If the Department only pays 50 percent of the savings to the providers who meet all quality goals, and it pays nothing to those that do not, what will the Department do with the remaining funds?
- Primary Care Partial Capitation
    - The partial capitation payments will provide physicians the opportunity to spend additional time with Medicaid members, reducing the number of patients a physician may need to see in a given day to cover the overhead costs of the practice and presumable improving patient outcomes. Has the Department analyzed the impact of reduced practice capacity in rural areas in which there may only be one provider? Does the Department anticipate reduced access to care resulting in increased health care costs for a period of time as the market readjusts and additional providers can be incentivized to move into those areas?
    - What strategies has the Department considered to encourage more primary care physicians to serve the rural counties/regions of the state?
    - Is the monthly revenue upon which the capitated payment is calculated based on historical/current actual revenue, or is it based on what it actually costs the provider to do business?
    - How will Department account for diminished patient outcomes in chronic conditions that result from things that are beyond the physicians control (such as patient behavior) when developing the algorithm for incentive payments?
- Please discuss the implementation process and purpose of the Providers of Distinction programs proposed by the Department.

Significant cost drivers in the Department's request are related to the design, development, and implementation of solutions intended to be integrated with existing platforms. In consultation with JBC staff for Information Technology Projects and Joint Technology Committee (JTC) staff, staff recommends that the Committee refer this request to the Joint Technology Committee (JTC), pursuant to Joint Rule 45(b).

Staff recommends that this request remain for consideration in the operating budget as submitted; however, staff requests a JTC review and recommendation as an IT-related operating request item. Staff additionally recommends potential JTC progress tracking or oversight as determined by the JTC.

JBC staff for Information Technology Projects will present this recommendation in a single document for Committee action at a later date.

DISCUSSION

In its FY 2022-23 R6 Value Based Payments budget request, the Department requests $22.9 million total funds, including $7.4 million General Fund for the planning and implementation of three alternative payment models in which participation by providers will be mandatory. In addition, the Department requests $11.4 million in roll-forward authority in the event that the development phase is delayed.

Alternative payment models are designed to provide incentive payments for the delivery of high-quality and cost-effective care. Many of these programs were initiated upon the creation of the Center for Medicare and Medicaid Innovation, established under the Affordable Care Act of 2010. The Innovation Center and the Centers for Medicare and Medicaid Services (CMS) "support the development and testing of innovative health care payment and service delivery models" and "is driving a national public-private effort to adopt alternative payment models that reward the quality of health care over quantity."[7] The Department proposes to pay incentive payments to providers for improved patient outcomes and lower costs.

Pursuant to Section 25.5-4-401.2, C.R.S., prior to implementing performance-based payments, the department must submit to the Joint Budget Committee either evidence that the performance-based payments are designed to achieve budget savings or a budget request for costs associated with the performance-based payments. The Department's request is intended to meet the statutory requirement. The Department plans to develop the alternative payment models in partnership with the Division of Insurance and the Department of Personnel in order to establish an aligned approach to value-based payment across public and private payers in Colorado. The intent is to drive improved health outcomes and care quality while reducing health care costs and health disparities.

PHARMACY PRESCRIBER TOOL

The Prescriber Tool is intended to help employers and Coloradans save money on healthcare by ensuring that providers have information on prescription drug costs and affordable alternatives. The goal of the Prescriber Tool is to help improve patient health outcomes and service, reduce administrative burden for prescribers, and improve prescription drug affordability. Senate Bill 18-266 (Controlling Medicaid Costs) appropriated funding to the Department for the implementation of the Prescriber Tool. The tool makes available to providers information concerning the Department's drug cost information, preferred drug listing, Prior Authorization Requirements, and member-based risk factors based on the diagnosis.

[7] Pham, Katherine. "Alternative payment approaches for advancing comprehensive medication management in primary care." US National Library of Medicine, National Institutes of Health. Retrieved on December 1, 2021 from https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7739512/

In FY 2022-23, the Department requests $1.1 million total funds, including $364,529 General Fund, in order to implement an alternative payment model requiring prescribers to have the Pharmacy Prescriber Tool enabled. The Department intends to require mandatory participation by providers effective FY 2022-23. The Department will enroll all prescribers into a shared savings model to incentivize usage of the prescriber tool and lower spending on prescription drugs.

The Department reports that the Prescriber Tool leads to better utilization management of drugs by connecting physicians to the department's preferred drug list. Prescribers earn shared savings as they increase their percentage of prescriptions drugs chosen from the list or choose a lower cost option from multiple drug choices on the list. The Department will distribute savings realized from use of the tool on a quarterly basis. To ensure that high-quality care is provided, prescribers are required to meet quality goals to earn shared savings. The Department is developing and preparing to implement the model within existing resources in FY 2021-22. The model will include a quality and financial model to incentivize prescribers to use the tool.

Fiscal year 2022-23 funding will be used for stakeholder engagement, actuarial payment development and shared savings calculations, and updates to the payment and quality model based on stakeholder feedback and learned experience while operating the model. Ongoing funding will be used for the continuation of annual stakeholder engagement processes, development of payment targets with the Department's actuary, and professional evaluation of the program.

PHARMACY PRESCRIBER ALTERNATIVE PAYMENT MODEL					
ITEM	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FEDERAL FUNDS	FTE
Stakeholder engagement	$98,500	$49,250	$0	$49,250	0.0
Actuarial contractor for savings reimbursement	95,400.0	47,700	0	47,700	0.0
Program development consulting	151,500.0	75,750	0	75,750	0.0
Analytical tools & systems costs	901,839.0	225,460	0	676,379	0.0
Costs avoided	(125,856.0)	(33,631)	(7,197)	(85,028)	0.0
Total Pharmacy Prescriber APM	**$1,121,383**	**$364,529**	**($7,197)**	**$764,051**	**0.0**

MATERNITY CARE BUNDLED PAYMENTS

Maternity Care Bundled Payments were implemented by the Department in November 2020 with the intent of improving maternal health. At this time, the provider participation in the program is optional, with three providers participating, and funding for its implementation is limited. Bundled payment methodology is based on the total episode cost reconciled retrospectively with the provider. Shared savings are distributed on a quarterly basis. Payments of shared savings are not distributed to obstetrical providers who have a statistically significant difference in the total cost of care, or the number of services rendered, between the sub-group of pregnant people of color and white pregnant people. Participating obstetrical providers are required to complete a cultural competency training to ensure person-centered care is being provided.

The bundled payment methodology is based on a target budget for the entire maternity episode, including all services related to that condition. According to the Department, the budget will be based on historical average expenditures for the episode, with a targeted reduction to the costs associated with avoidable clinical events (such as a Cesarean delivery for a low risk delivery) for that episode. The department will continue to pay providers based on submitted claims, but after the episode is completed the department will reconcile actual expenditures for each service to the budget. If expenditures are higher than the budget, the main care provider will owe the Department 50 percent

of the difference. If expenditures are lower than the budget, the Department will share 50 percent of the savings with obstetrical care providers if all quality goals were met.

The Department requests $5.8 million total funds, including $1.0 General Fund to expand the maternity bundled payments model to all 242 obstetrical providers in Colorado. Funding will be used to engage stakeholders, develop the budgets for obstetrical providers with the Department's actuary, and hire a vendor to assist with project management and strategy development. In addition, the Department will hire a vendor to engage obstetrical providers, stakeholders, and Medicaid members to determine updates to the program before it becomes mandatory in FY 2023-24.

MATERNITY BUNDLE ALTERNATIVE PAYMENT MODEL					
ITEM	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FEDERAL FUNDS	FTE
Stakeholder engagement	$246,250	$123,125	$0	$123,125	0.0
Actuarial Rate Development	$148,400	74,200	0	74,200	0.0
Project management	$249,750	124,875	0	124,875	0.0
Program development consulting	$494,900	247,450	0	247,450	0.0
Analytical tools & systems costs	$4,614,060	461,406	0	4,152,654	0.0
Total Maternity Bundle APM	**$5,753,360**	**$1,031,056**	**$0**	**$4,722,304**	**0.0**

A large portion of the funding is requested to cover the design, development, and implementation cost for a data sharing solution integrated with the Colorado Business Intelligence and Data Management system. This will be designed to integrate into provider electronic health records to supply obstetrical providers with up to date performance data compared with budgets and performance compared with program quality metrics. In consultation with JBC staff for Information Technology Projects and Joint Technology Committee (JTC) staff, staff recommends that the Committee refer this request to the Joint Technology Committee (JTC), pursuant to Joint Rule 45(b).

Staff recommends that this request remain for consideration in the operating budget as submitted; however, staff requests a JTC review and recommendation as an IT-related operating request item. Staff additionally recommends potential JTC progress tracking or oversight as determined by the JTC.

JBC staff for Information Technology Projects will present this recommendation in a single document for Committee action at a later date.

PRIMARY CARE PHYSICIAN PARTIAL CAPITATION

The Department has developed two alternative payment models for primary care. The first uses a modified fee-for-service payment methodology and an incentive payment methodology when quality metrics are met. The second voluntary model provides a partial capitation advanced payment to providers for services that are expected to be delivered in a given month. The Department requests funding to implement the prospective partial capitation alternative payment model for both adult and pediatric primary care beginning in January 2022 on a voluntary basis with provider participation becoming mandatory in FY 2024-25.

The Department anticipates that the payment arrangement will result in increased cash flow for primary care providers even while demand may fluctuate. Under this model, physicians will select the share of monthly revenue attributed to the prospective payments and the rest will come from fee for service payments. In addition, meeting quality metrics will be incentivized when chronic conditions

are appropriately managed. Providers will earn shared savings from reductions in the total cost of care on their patient panel

The Department requests $2.6 million total funds, including $0.7 million General Fund, for the primary care alternative payment model for providers serving adults; and $2.4 million total funds, including $0.7 million General Fund, for pediatric providers. Funding will be used to engage stakeholders, develop the budgets for primary care providers with the Department's actuary, and hire a vendor to assist with project management and strategy development. In addition, the Department will hire a vendor to engage both adult and pediatric primary care doctors, stakeholders, and Medicaid members to determine updates to the program before it is made mandatory for 850 primary care providers in FY 2024-25.

ADULT PRIMARY CARE ALTERNATIVE PAYMENT MODEL					
ITEM	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FEDERAL FUNDS	FTE
Stakeholder engagement	$98,500	$49,250	$0	$49,250	0.0
Actuarial Rate Development	$381,600	190,800	0	190,800	0.0
Project management	$249,750	124,875	0	124,875	0.0
Program development consulting	$494,900	247,450	0	247,450	0.0
Analytical tools & systems costs	$1,349,263	134,926	0	1,214,337	0.0
Total Adult Primary Care APM	**$2,574,013**	**$747,301**	**$0**	**$1,826,712**	**0.0**

PEDIATRIC PRIMARY CARE ALTERNATIVE PAYMENT MODEL					
ITEM	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FEDERAL FUNDS	FTE
Stakeholder engagement	$98,500	$49,250	$0	$49,250	0.0
Actuarial Rate Development	$190,800	95,400	0	95,400	0.0
Project management	$249,750	124,875	0	124,875	0.0
Program development consulting	$494,900	247,450	0	247,450	0.0
Analytical tools & systems costs	$1,349,263	134,926	0	1,214,337	0.0
Total Pediatric Primary Care APM	**$2,383,213**	**$651,901**	**$0**	**$1,731,312**	**0.0**

A large portion of the funding is requested to cover the design, development, and implementation cost for a data sharing solution integrated with the Colorado Business Intelligence and Data Management system. This will be designed to integrate into provider electronic health records to supply providers with up to date performance data compared with budgets and performance compared with program quality metrics. In consultation with JBC staff for Information Technology Projects and Joint Technology Committee (JTC) staff, staff recommends that the Committee refer this request to the Joint Technology Committee (JTC), pursuant to Joint Rule 45(b).

Staff recommends that this request remain for consideration in the operating budget as submitted; however, staff requests a JTC review and recommendation as an IT-related operating request item. Staff additionally recommends potential JTC progress tracking or oversight as determined by the JTC.

JBC staff for Information Technology Projects will present this recommendation in a single document for Committee action at a later date.

COLORADO PROVIDERS OF DISTINCTION

The department requests to plan and implement separate Colorado Providers of Distinction programs in primary care, specialty care, and hospital-based procedures, starting in FY 2023-24. The Colorado Providers of Distinction programs identify health care providers that deliver high-value care and demonstrate better outcomes for Colorado patients and families. The programs will evaluate and report on health care outcomes and episode price for specific conditions in primary care, specialty care, and hospital-based procedures to offer insights to providers and patients and promote referrals to the respective provider of distinction in their region.

In order to implement Providers of Distinction in primary care, specialty care, and for hospital based procedures, the Department needs to develop episode based analytics to identify the separate groups of Providers of Distinction, stakeholders need to be engaged from each group and analytics to alter member choice of provider, and the Department needs support with strategy and clinical design of each of the three programs in FY 2022-23. The Department's request includes fund for the design and implement of a solution that will integrate the Colorado Providers of Distinction analytics with the Department's eConsult system to influence referrals between primary care and specialty care.

The Department requests $9.9 million total funds, including $4.1 million General Fund for the development and implementation of the Colorado Providers of Distinction programs. JBC staff will discuss this portion of the Department's request in greater detail at figure setting. Staff recommends that the Committee ask the Department to discuss the proposal during the Department's hearing.

COLORADO PROVIDERS OF DISTINCTION					
ITEM	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	FEDERAL FUNDS	FTE
Analytics	$3,912,750	$1,956,375	$0	$1,956,375	0.0
Stakeholder engagement	$295,500	147,750	0	147,750	0.0
Strategy/design consulting	$3,484,500	1,742,250	0	1,742,250	0.0
Systems costs	$2,251,102	225,110	0	2,025,992	0.0
Total Colorado Providers of Distinction	**$9,943,852**	**$4,071,485**	**$0**	**$5,872,367**	**0.0**

In addition, because this portion of the request includes funding for the design and implementation of a solution that integrates analytics with the eConsult system, in consultation with JBC staff for Information Technology Projects and Joint Technology Committee (JTC) staff, staff recommends that the Committee refer this request to the Joint Technology Committee (JTC), pursuant to Joint Rule 45(b).

Staff recommends that this request remain for consideration in the operating budget as submitted; however, staff requests a JTC review and recommendation as an IT-related operating request item. Staff additionally recommends potential JTC progress tracking or oversight as determined by the JTC.

JBC staff for Information Technology Projects will present this recommendation in a single document for Committee action at a later date.

DEPARTMENT FTE

Finally, the Department requests $1.1 million total funds, including $0.5 million General Fund, and 9.6 FTE in FY 2022-23 for staff to support the implementation of the alternative payment models

and the Colorado Providers of Distinction programs. JBC staff will provide analysis on this portion of the Department's request at figure setting.

Alternative Payment Model and Colorado Providers of Distinction Support					
Item	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
APM and CPD financial rate analysts	$299,132	$149,566	$0	$149,566	3.8
Analytic tools statistical analyst	$77,038	38,519	0	38,519	1.0
APM and CPD program administrators	$211,086	105,543	0	105,543	2.9
RAE alignment program administrators	$140,724	70,362	0	70,362	1.9
Total APM and PoD Support	**$727,980**	**$363,990**	**$0**	**$363,990**	**9.6**

FTE Costs					
Item	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
FTE centrally appropriated costs	$201,273	$100,636	$0	$100,637	0.0
FTE operating costs	$79,500	39,750	0	39,750	0.0
FTE leased space	$66,000	33,000	0	33,000	0.0
Total APM and PoD FTE Costs	**$346,773**	**$173,386**	**$0**	**$173,387**	**0.0**