

CHAPTER 244

**HUMAN SERVICES - SOCIAL SERVICES**

**SENATE BILL 97-042**

BY SENATORS Rizzuto, Arnold, Hernandez, Hopper, Johnson, Lacy, Martinez, Matsunaka, Mutzebaugh, Norton, Reeves, Rupert, and Wham;  
also REPRESENTATIVES Owen, Allen, Bacon, Hagedorn, Mace, Reeser, and Schwarz.

**AN ACT**

CONCERNING THE RATE SETTING METHODOLOGY FOR REIMBURSEMENT OF NURSING FACILITIES PROVIDING SERVICES THROUGH THE MEDICAID PROGRAM, AND MAKING AN APPROPRIATION IN CONNECTION THEREWITH.

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

**SECTION 1.** 26-4-410 (4), Colorado Revised Statutes, 1989 Repl. Vol., as amended, is amended BY THE ADDITION OF THE FOLLOWING NEW PARAGRAPHS to read:

**26-4-410. Providers - nursing facility - nursing facility patient program improvement fund - reimbursement - maximum allowable - quality of care incentive payment program - legislative declaration - repeal.** (4) (d) (I) THE GENERAL ASSEMBLY FINDS THAT THE HISTORICAL GROWTH IN NURSING FACILITY RATES HAS SIGNIFICANTLY EXCEEDED THE RATE OF INFLATION. THESE INCREASES HAVE BEEN CAUSED IN PART BY THE INCLUSION OF MEDICARE COSTS IN MEDICAID COST REPORTS. THE STATE OF COLORADO HAS AN INTEREST IN LIMITING THESE EXCEPTIONAL INCREASES IN MEDICAID NURSING FACILITY RATES BY IMPOSING GROWTH CEILINGS ON NURSING FACILITY RATES, INSTITUTING A CASE-MIX REIMBURSEMENT SYSTEM, REMOVING MEDICARE PART B COSTS FROM THE MEDICAID NURSING FACILITY RATES, AND IMPOSING A CEILING ON THE MEDICARE PART A ANCILLARY COSTS WHICH ARE INCLUDED IN CALCULATING MEDICAID NURSING FACILITY RATES.

(II) NOTWITHSTANDING ANY OTHER PROVISION IN THIS ARTICLE, THE FOLLOWING

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*Capital letters indicate new material added to existing statutes; dashes through words indicate deletions from existing statutes and such material not part of act.*

LIMITATIONS SHALL APPLY TO RATES FOR REIMBURSEMENT OF NURSING FACILITIES:

(A) FOR ALL RATES EFFECTIVE ON OR AFTER JULY 1, 1997, FOR EACH CLASS I AND CLASS V FACILITY, ANY INCREASE IN ADMINISTRATIVE COSTS SHALL NOT EXCEED SIX PERCENT PER YEAR AND ANY INCREASE IN HEALTH CARE SERVICES COSTS SHALL NOT EXCEED EIGHT PERCENT PER YEAR; AND

(B) FOR ALL RATES EFFECTIVE ON OR AFTER JULY 1, 1997, FOR EACH CLASS I AND CLASS V FACILITY, ONLY SUCH COSTS AS ARE REASONABLE, NECESSARY, AND PATIENT-RELATED MAY BE REPORTED FOR REIMBURSEMENT PURPOSES. NURSING FACILITIES MAY INCLUDE WHATEVER LEVEL OF MEDICARE PART A ANCILLARY COSTS WAS INCLUDED AND ALLOWED IN THE FACILITY'S LATEST MEDICAID COST REPORT FILED PRIOR TO JULY 1, 1997. ANY SUBSEQUENT INCREASE IN THIS AMOUNT SHALL BE LIMITED TO EITHER THE INCREASE IN THE FACILITY'S ALLOWABLE MEDICARE PART A ANCILLARY COSTS OR THE PERCENTAGE INCREASE IN THE COST OF MEDICAL CARE REPORTED IN THE UNITED STATES DEPARTMENT OF LABOR BUREAU OF LABOR STATISTICS CONSUMER PRICE INDEX FOR THE SAME TIME PERIOD, WHICHEVER IS LOWER. PART B COSTS FOR MEDICARE SHALL BE EXCLUDED FROM THE ALLOWABLE REIMBURSEMENT FOR FACILITIES.

(III) THE SPECIFIC METHODOLOGY FOR CALCULATING THE LIMITATIONS AND COST REPORTING REQUIREMENTS DESCRIBED IN THIS PARAGRAPH (d) SHALL BE ESTABLISHED BY RULES PROMULGATED BY THE STATE DEPARTMENT.

(e) (I) THE STATE DEPARTMENT IS AUTHORIZED TO UTILIZE A CASE-MIX SYSTEM FOR REIMBURSING SOME OR ALL OF COLORADO'S CLASS I AND CLASS V MEDICAID NURSING FACILITIES. A CASE-MIX REIMBURSEMENT SYSTEM REIMBURSES EACH FACILITY ACCORDING TO THE RESOURCE CONSUMPTION IN TREATING ITS CASE MIX OF MEDICAID RESIDENTS, WHICH MAY INCLUDE SUCH FACTORS AS THE AGE, HEALTH STATUS, RESOURCE UTILIZATION, AND DIAGNOSES OF THE FACILITY'S MEDICAID RESIDENTS.

(II) A CASE-MIX REIMBURSEMENT SYSTEM SHALL BE INSTITUTED IF THE STATE DEPARTMENT AND THE JOINT BUDGET COMMITTEE OF THE COLORADO GENERAL ASSEMBLY DETERMINE PRIOR TO IMPLEMENTATION THAT SUCH A REIMBURSEMENT SYSTEM WILL NOT INCREASE STATE EXPENDITURES FOR NURSING FACILITY CARE.

(III) THE ADMINISTRATIVE COSTS FOR IMPLEMENTING A CASE-MIX REIMBURSEMENT SYSTEM SHALL BE PAID FROM THE SAVINGS THAT RESULT FROM THE PROVISIONS IN PARAGRAPH (d) OF THIS SUBSECTION (4).

(IV) THE STATE DEPARTMENT AND THE STATE BOARD SHALL PROMULGATE SUCH RULES AS MAY BE NECESSARY TO IMPLEMENT A CASE-MIX REIMBURSEMENT SYSTEM.

(V) THE STATE DEPARTMENT SHALL REPORT TO THE JOINT BUDGET COMMITTEE AND TO THE HEALTH, ENVIRONMENT, WELFARE, AND INSTITUTIONS COMMITTEES OF THE GENERAL ASSEMBLY NO LATER THAN NOVEMBER 1, 1997, CONCERNING THE FOLLOWING:

(A) THE STATUS OF THE STATE DEPARTMENT'S EFFORTS TO DEVELOP A CASE-MIX REIMBURSEMENT SYSTEM;

(B) THE FEASIBILITY OF IMPLEMENTING A CASE-MIX REIMBURSEMENT SYSTEM BY JULY 1, 1998; AND

(C) THE IMPACT UPON MEDICAID NURSING FACILITY RATES CAUSED BY THE INCLUSION OF MEDICARE COSTS IN MEDICAID COST REPORTS.

**SECTION 2. Appropriation in long bill to be adjusted.** (1) For the implementation of this act, appropriations made in the annual general appropriation act to the department of health care policy and financing, for the fiscal year beginning July 1, 1997, shall be adjusted as follows:

(a) The appropriation to medical programs, administration is increased by seven hundred fifty-two thousand four hundred seventy-nine dollars (\$752,479), and 1.0 FTE. Of said sum, three hundred seventy-six thousand two hundred forty dollars (\$376,240) shall be from the general fund and shall be subject to the "M" notation as defined in the general appropriation act, and three hundred seventy-six thousand two hundred thirty-nine dollars (\$376,239) shall be from matching federal funds.

(b) The appropriation to medical programs, medical services is decreased by fifteen million seven hundred thirty-seven thousand four hundred twenty-five dollars (\$15,737,425). Of said sum, seven million five hundred forty-nine thousand two hundred forty-three dollars (\$7,549,243) shall be from the general fund and eight million one hundred eighty-eight thousand one hundred eighty-two dollars (\$8,188,182) shall be from federal funds.

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

Approved: June 3, 1997