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State/Territory Name: Colorado

State Plan Amendment (SPA) #: CO-13-034

This file contains the following documents in the order listed

- 1) Approval Letter
- 2) CMS 179
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
1600 Broadway Suite 700
Denver CO 80202-4967



Region VIII

April 23, 2014

Susan E. Birch, MBA, BSN, RN, Executive Director
Department of Health Care Policy & Financing
303 East 17th Avenue, 7th Floor
Denver, CO 80203

RE Colorado #13-034

Dear Ms. Birch

We have reviewed the proposed State Plan Amendment (SPA) submitted under transmittal number (TN) 13-034. This amendment addresses methods and standards establishing prospective payment rates for Federally Qualified Health Centers (FQHCs) reflecting the Federal updates for Medicaid rates and rate increases.

Please be informed that this State Plan Amendment was approved today with an effective date of July 1, 2013. We are enclosing the CMS-179 and the amended plan page(s).

If you have any questions concerning this amendment, please contact Curtis Volesky at (303) 844-7033.

Sincerely,

/s/

Richard C. Allen
Associate Regional Administrator
Division for Medicaid & Children's Health Operations

cc Suzanne Brennan
Pat Connally
Barb Prehmus
John Bartholomew
Max Salazar

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES

1 TRANSMITTAL NUMBER:

2 STATE:

13-034

COLORADO

3 PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
CENTERS FOR MEDICARE & MEDICAID SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4 PROPOSED EFFECTIVE DATE
July 1 2013.

5 TYPE OF PLAN MATERIAL (Check One)

NEW STATE PLAN

AMENDMENT TO BE CONSIDERED AS A NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION

42 CFR 447.371

7 FEDERAL BUDGET IMPACT

a. FFY 2012 13 \$276,151

b. FFY 2013-14 \$1,148,012

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4 19-B Methods and Standards for
Establishing Payment Rates – federally qualified health
center (FQHC) services, pages I-A and I-B

9 PAGE NUMBER OF THE SUPERSEDED PLAN
SECTION OR ATTACHMENT (If Applicable)

Attachment 4.19-B Methods and Standards for
Establishing Payment Rates – federally qualified
health center (FQHC) services, pages I-A, TN 09-017

10. SUBJECT OF AMENDMENT

Methods and standards for establishing prospective payment rates for federally qualified health centers,
reflecting the Federal updates for Medicaid rates and rate increases effective July 1, 2013.

11. GOVERNOR'S REVIEW (Check One)

GOVERNOR'S OFFICE REPORTED NO COMMENT

☒ OTHER, AS SPECIFIED

Governor's letter dated 01 September 2011

COMMENTS OF GOVERNOR'S OFFICE ENCLOSED.
NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL

16. RETURN TO

13. TYPED NAME

John Bartholomew

Colorado Department of Health Care Policy and Financing
1570 Grant Street
Denver, CO. 80203-1818

14. TITLE

Budget and Finance Office Director

Attn: Barbara Prehmus

15. DATE SUBMITTED

8/20/13

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED

8/30/13

18. DATE APPROVED

04/23/14

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL

7/1/13

20. SIGNATURE OF REGIONAL OFFICIAL

/s/

21. TYPED NAME

Richard C. Allen

22. TITLE

ARA, DMCHO

23. REMARKS

TITLE XIX OF THE SOCIAL SECURITY ACT
MEDICAL ASSISTANCE PROGRAM

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – FEDERALLY QUALIFIED HEALTH CENTER (FQHC) SERVICES

All participating FQHCs including hospital-affiliated and non-hospital-affiliated health centers are required to file annual cost reports with Medicaid. Audited cost data from these reports will be used to set yearly FQHC reimbursement rates under an alternative reimbursement method. The State will determine and assure that the payments are based upon, and cover, the reasonable costs of providing services to Medicaid beneficiaries

The payment methodologies for FQHCs will conform to section 702 of the Medicare Medicaid, and SCHIP Benefits Improvement and Protection Act (BIPA) included in the Consolidated Appropriations Act of 2000, Public Law 106 - 554. The alternative payment methodology will be agreed to by the State and the FQHC, and will result in payment to the FQHC of an amount that is at least equal to the Prospective Payment System payment rate

Effective July 1, 2013, the alternative payment methodology rate will be the average of the Prospective Payment System rate and 100% of Reasonable Cost raised by 2% with the Alternative Payment Methodology Rate not to exceed the higher of 100% of Reasonable Cost or the PPS rate

The calculation methodology of the Alternative Payment Methodology Rate for both free-standing and provider-based FQHCs is the same and each FQHC shall have its own rate calculated.

The Department's hired cost report auditor determines each FQHC's Alternative Payment Methodology Rate in the following steps

- Step 1** Calculate Current Year Inflated Rate. The Current Year Inflated Rate is calculated by using the FQHC's current annual costs from the most recent audited Medicaid cost report and inflating that figure by the Medicare Economic Index (MEI) inflation factor
- Step 2.** Calculate the Inflated Base Rate from the prior year. The Base Rate is calculated by taking a weighted average of the FQHC's costs for the past three years. The Base Rate is recalculated every three years, but is inflated annually by the MEI to get the Inflated Base Rate
- Step 3** Calculate the lower of the rate determined in step 1 and step 2 (to establish 100% Reasonable Costs). 100% Reasonable Costs are calculated as the lesser of the Current Year Inflated Rate and the Inflated Base Rate

TN No 13-034

Supersedes

TN No 09-017

Approval Date 4/23/14

Effective Date 07/01/13

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- Step 4** Calculate the current inflated Prospective Payment System (PPS) Rate
- Step 5.** Calculate the midpoint between step 3 and step 4 as long as the PPS rate is lower than 100% of reasonable costs. If the PPS rate is higher than 100% of reasonable costs, then the PPS rate is used.
- Step 6.** Increase the rate determined in step 5 by 2%. The increase shall not be higher than the 100% reasonable cost determined in step 3 or the PPS rate determined in step 4. This will be the FQHC's final Alternative Payment Methodology Rate and it shall not be lower than the PPS Rate

In the case of any FQHC that contracts with a managed care organization, supplemental wrap around payments will be made pursuant to a payment schedule agreed to by the State and the FQHC, but in no case less frequently than every 4 months, for the difference between the payment amounts paid by the managed care organization and the amount to which the center is entitled under the Prospective Payment System rate or the APM.

New free-standing FQHCs shall file a preliminary FQHC Cost Report with the Department. Data from the preliminary report shall be used to set a reimbursement rate for the first year. A base rate shall be calculated using the audited cost report showing actual data from the first fiscal year of operations as a FQHC. This shall be the FQHC's base rate until the next rebasing period.

TN No 13-034
Supersedes
TN No 09-017

Approval Date 4/23/14

Effective Date 07/01/13