

## **Table of Contents**

**State/Territory Name: CO**

**State Plan Amendment (SPA) #: 24-0037**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
Center for Medicaid & CHIP Services  
230 South Dearborn  
Chicago, Illinois 60604



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**Financial Management Group/ Division of Reimbursement Review**

March 4, 2025

Adela Flores-Brennan,  
State Medicaid Director  
Colorado Department of Health Care Policy and Financing  
303 E. 17th Avenue, Suite 1100  
Denver, CO 80203-1818

Dear Director Flores-Brennan,

The Centers for Medicare & Medicaid Services (CMS) has reviewed the proposed Colorado State Plan Amendment (SPA) to Attachment 4.19-B TN: #24-0037, which was submitted to CMS on December 19, 2024. This plan amendment proposes to revise the FQHC Alternative Payment Model 2 program Year 3 Per Member Per Month (PMPM) rates.

We reviewed your SPA submission for compliance with statutory requirements including in sections 1902(a)(2), 1902(a)(13), 1902(a)(30), and 1903 as it relates to the identification of an adequate source for the non-federal share of expenditures under the plan, as required by 1902(a)(2), of the Social Security Act and the applicable implementing Federal regulations.

Based upon the information provided by the State, we have approved the amendment with an effective date of October 1, 2024. We are enclosing the approved CMS-179 and a copy of the new state plan pages.

If you have any additional questions or need further assistance, please contact Matthew Klein at 214-767-4625 or [matthew.klein@cms.hhs.gov](mailto:matthew.klein@cms.hhs.gov)

Sincerely,

A solid black rectangular box used to redact the signature of Todd McMillion.

Todd McMillion  
Director  
Division of Reimbursement Review

Enclosures

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

1. TRANSMITTAL NUMBER

2 4 — 0 0 3 7

2. STATE

CO3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL  
SECURITY ACT

XIX



XXI

TO: CENTER DIRECTOR  
CENTERS FOR MEDICAID & CHIP SERVICES  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

October 1, 2024

5. FEDERAL STATUTE/REGULATION CITATION

Social Security Act, Section 1902(bb) / 42 CFR Part 405, Subpart X

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)

a. FFY 2025\$ 0b. FFY 2026\$ 0

7. 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-L8. 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-L of I-W (TN  
CO-22-0038)

9. SUBJECT OF AMENDMENT

Changes FQHC Alternative Payment Model 2 program Year 3 rates from being based on cost, visit, and utilization data to an  
inflation of the Year 2 rates by the CMS Market Based Rate. After Year 3, Per Member Per Month (PMPM) rates will be set using  
updated cost, visit, and utilization data, and subsequently will be inflated by the CMS Market Basket Rate.

10. GOVERNOR'S REVIEW (Check One)



GOVERNOR'S OFFICE REPORTED NO COMMENT



COMMENTS OF GOVERNOR'S OFFICE ENCLOSED



NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL



OTHER, AS SPECIFIED:

11. SIGNATURE OF STATE AGENCY OFFICIAL

12. TYPED NAME  
Bettina Schneider13. TITLE  
Chief Financial Officer

14. DATE SUBMITTED

15. RETURN TO

Colorado Department of Health Care Policy and Financing  
303 E. 17th Avenue, Suite 1100  
Denver, CO 80203

Attn: Jessica Farnen

**FOR CMS USE ONLY**16. DATE RECEIVED  
12/19/202417. DATE APPROVED  
March 4, 2025**PLAN APPROVED - ONE COPY ATTACHED**18. EFFECTIVE DATE OF APPROVED MATERIAL  
10/01/2024

19. SIGNATURE OF APPROVING OFFICIAL

20. TYPED NAME OF APPROVING OFFICIAL  
Todd McMillion21. TITLE OF APPROVING OFFICIAL  
Director, Division of Reimbursement Review

22. REMARKS

TITLE XIX OF THE SOCIAL SECURITY ACT  
MEDICAL ASSISTANCE PROGRAM

ATTACHMENT 4.19-B

State of Colorado

Page I-L

The Department will collect preliminary data related to an FQHC's quality, outcomes, and access prior to participation in APM 2. This data will be compared to performance during the APM 2 rate payment period to ensure quality, outcomes, and access are not decreasing.

- vi. PMPM rates will be calculated and effective July 1, 2021 when APM 2 becomes effective. PMPM rates will be updated annually and will be made available to FQHCs along with their finalized cost reports once the cost report has been audited and finalized Cost reports are due 90 days after an FQHC's FYE. PMPM rates are effective annually 120 days after the FQHC's FYE. The PMPM rates will cover all physical health utilization across an FQHC system. Year two rates for FQHCs participating in APM 2 will be set prospectively by inflating the year one rates by the MEI. Year three PMPM rates will be an inflation of the year two rates by the CMS Market Basket Rate. After year three, PMPM rates will be set using updated cost, visit, and utilization data, .

19. For services provided to non-FQHC attributed clients, clients attributed based on geography, or for dental and specialty behavioral health services, the Department's hired cost report auditor will determine each FQHC's APM encounter rates by utilizing the following steps:

a. Physical Health Rate for Geographic and Non-FQHC Attributed Clients

The FQHC Physical Health rates will be effective annually 120 days after the FQHC's FYE. The rates are calculated using the following methodology.

**Step 1:** Calculate the Current Year Inflated Physical Health Rate. The Current Year Inflated Physical Health Rate is calculated by using the FQHC's current annual costs and visits from the most recent audited Medicaid cost report for physical health services and associated administrative costs and inflating that figure by the MEI inflation factor.

**Step 2:** Calculate the Inflated Physical Health Base Rate. The Physical Health Base Rate is calculated by taking an average of the FQHC's costs and visits for the past three years. Cost data from the previous two years is inflated by the MEI then added to the current year costs. This sum is divided by the sum of the visits from each year. The Physical Health Base Rate is recalculated every year and is inflated by the MEI to get the Inflated Physical Health Base Rate.

**Step 3:** Calculate the lower of the rates determined in Step 1 and Step 2 to establish a rate for 100% of Reasonable Costs. The rate for 100% of Reasonable Costs, the final