COLORADO
Department of Health Care Policy & Financing

Prospective Payment System and Value Based Payment Program for Comprehensive Safety Net Providers

Fact Sheet November 2024

July 1, 2024 marked the implementation of the Prospective Payment System (PPS) for Comprehensive Behavioral Health (Comprehensive) Providers. The PPS is an evidence based model with an encounter rate based reimbursement methodology. Providers are paid a unique daily encounter rate for a patient utilizing PPS services regardless of the type or volume of services that day. This rate is an average based on each provider's cost of serving priority populations, and is designed to ensure that patients are connected to their unique care needs. To learn more about the development of the PPS, please visit: hcpf.colorado.gov/safetynetproviders.

The Department of Health Care Policy and Financing (HCPF) requires Managed Care Entities (MCEs), including Regional Accountable Entities (RAEs), to pay qualifying providers payments that are at least equal to each provider's unique PPS rate. MCEs can contract with providers at a rate higher than the PPS rate, but additional requirements will apply. The most important requirement is that any dollars paid above and beyond the minimum required PPS payment will have to be tied to quality through a value-based purchasing (VBP) agreement.

Program policy related to VBP contracting with providers paid the PPS, implications for managed care rate setting, and implications for Medical Loss Ratio (MLR) calculation for the period between July 2024 and June 2026 are described below.

Value-based Purchasing Contracting

July 2024 - June 2025
MCEs must contract with the Comprehensive Providers in the MCE's Region under VBP agreements. There are no mandatory VBP requirements in this initial year of PPS implementation other than the requirement to tie payment above the PPS to VBP contracting for it to count in the MCE's Medical Loss Ratio (MLR).

July 2025 - June 2026
RAEs must enter into a VBP agreement with any Comprehensive Provider the RAE contracts within the RAEs Region. Additionally, the state will specify a minimum set of quality measures that must be included in any VBP agreement with Comprehensive providers.

Implications for Managed Care Rate Setting

VBP agreements implemented with providers will be evaluated in future year rate cycles to determine if there should be any adjustment to the managed care rates.

Implications for Medical Loss Ratio Calculation

July 2024 - June 2025
MCEs can report VBP investments above and beyond the minimum required PPS payment in the service component of the MLR, but any amounts in excess of 5% of service costs will be subject to disallowance in the MLR calculation if found to be inappropriate or excessive.

July 2025 - June 2026
RAEs can report VBP investments above and beyond the minimum required PPS payment in the service component of the MLR, but arrangements will be capped at 5% of service costs.

Key Dates Related to SFY 2024-25 PPS Payments

March 2024
Audited cost reports finalized and published; Behavioral Health Authority licensed and approved Comprehensive Providers can enroll in Medicaid.

May 2024
Comprehensive Providers can contract with MCEs.

October 2024
MCE deadline for VBP contracting with providers for provider reimbursement above the PPS rate to count towards MLR.

March 2026
Audited cost reports for SFY 2024-25 are finalized and published on HCPF website.

June 2026
MCEs reconcile SFY 2024-25 payments based on revised PPS rates using FY 2024-25 audited cost reporting data.

Key Dates Related to SFY 2025-26 PPS Payments

March 2025
Audited cost reports finalized and published.

May 2025
Comprehensive Providers can contract with RAEs using the calculated rates for SFY 2025-26.

June 2025
HCPF establishes if RAEs must reconcile SFY 2025-26 payments based on revised PPS rates using SFY 2025-26 audited cost reporting data by June 2027.

July 2025
RAE deadline for VBP contracting with providers for provider reimbursement above the PPS rate to count towards MLR.