

Capitated Payment Adjustment FY 2023-24

*In response to Request For Information related to HCPF
Behavioral Health Payments*

Jan. 2, 2025

Submitted to:

Joint Budget Committee



COLORADO

Department of Health Care
Policy & Financing

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Executive Summary

This report from the Department of Health Care Policy and Financing (HCPF) is in response to a request for information from the Joint Budget Committee (JBC) to provide information regarding the implementation of the State Fiscal Year (SFY) 2023-24 mid-year capitated payment adjustment in response to the end of the COVID-19 public health emergency (PHE).

HCPF is the single state agency responsible for Health First Colorado (Colorado's Medicaid program), which it administers through the Accountable Care Collaborative (ACC). HCPF contracts with eight managed care entities (MCEs) to administer, manage and operate the Health First Colorado capitated behavioral health benefit by providing medically necessary covered behavioral health services. HCPF negotiates actuarially sound rates for covered behavioral health services with the MCE for each region. Rates can vary depending on historic utilization patterns and unique regional variations that affect pricing.

SFY 2023-24 Capitated Payment Adjustment

HCPF and their actuaries completed a thorough analysis of utilization, cost and changes in population acuity to determine that, in compliance with 42 CFR 438.7, the aggregate SFY 2023-24 behavioral health capitation rates needed to increase for every MCE. The adjusted payment total is \$66,982,417, an increase of 6.5% from the original SFY 2023-24 rates. The adjustment was necessary based on two influencing factors: acuity and psychotherapy utilization.

The first factor was the unanticipated pace of disenrollments and higher proportion of complex members retaining coverage following the end of the PHE. Higher acuity members have more needs and higher utilization compared to those who disenrolled from Health First Colorado, resulting in higher costs of care that did not align with the previous rates paid to MCEs. The second factor that made this adjustment necessary was a significant increase in the utilization of psychotherapy services in response to Colorado Senate Bill 22-156.

HCPF's contracts with the MCEs meet federal regulations and guidelines, which includes flexibility in how the MCEs use the adjusted funds to support providers and clinical services. This report includes a summary of how the MCEs used the adjusted payments for reset capitations. These included:

- Provider payments
- Replenishing reserve funding
- Enhancing operations (e.g., customer service)

- Processing claims.

All MCE spending related to this federally required rate adjustment was fully compliant with state and federal regulations and within MCE contractual requirements.

Introduction

About This Report

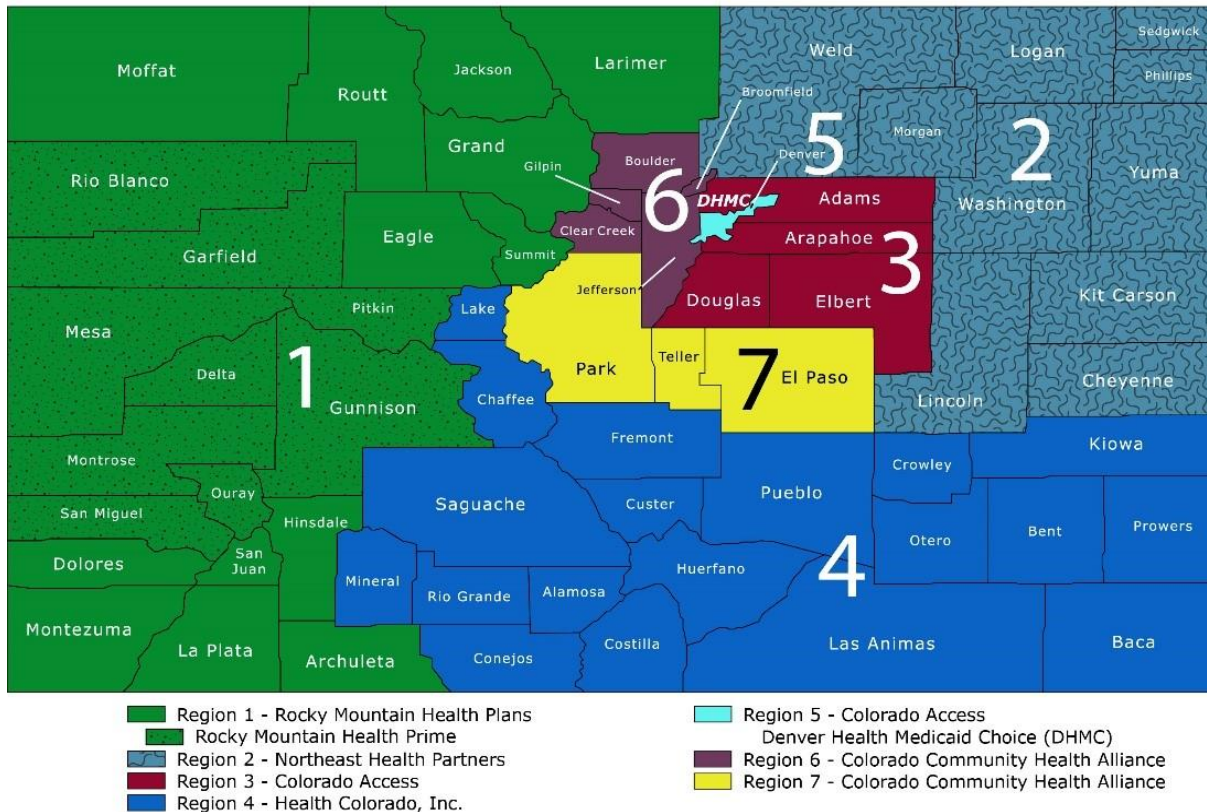
This report from HCPF is in response to a request from the JBC to “submit a report by Jan. 2, 2025, regarding the implementation of the SFY 2023-24 mid-year capitated payment increase in response to the end of the PHE”. The report also includes “how the increase was spent by MCEs and how funds were utilized to support providers and clinical services in a manner that is compliant with federal regulations.”

The Behavioral Health Capitated Benefit

Since 2011, the ACC has served as the core vehicle for delivering and managing member care for Health First Colorado. HCPF is the single state agency responsible for administering Health First Colorado. Through the ACC, HCPF contracts with eight MCEs to administer, manage and operate the Health First Colorado capitated behavioral health benefit by providing medically necessary covered behavioral health services. The MCEs include seven Regional Accountable Entities (RAEs) and Denver Health Medicaid Choice (DHMC), a managed care organization (MCO) for Denver County. MCEs have primary accountability for promoting optimized behavioral health and wellness for all members and providing or arranging for the delivery of medically necessary mental health and substance use disorder services.

Figure 1. ACC Phase II Regional Map

Accountable Care Collaborative



HCPF negotiates actuarially sound rates for covered behavioral health services with the MCE for each region. Rates can vary depending on historic utilization patterns and unique regional variations that affect pricing. MCEs accept financial risk under this arrangement; behavioral health providers submit claims for services to the MCEs, which process and pay those claims. Some behavioral health services are provided fee-for-service (FFS) and do not fall under the capitated benefit, including some behavioral services offered in primary care settings.

Federal and state regulations require MCEs to spend 85% of their capitation rates on direct services for members (42 CFR 438.8). MCEs usually spend more than the required 85% on member care. The remaining funds are used by the MCEs to cover administrative costs associated with serving members, including but not limited to staff salaries; completing federally required program integrity and oversight activities; data and analytics; and enrollment, utilization management and claim processing systems. Any funds remaining beyond the direct services and administration can be kept as profit although the MCEs often use remaining funds for other community investments.

SFY 2023-24 Capitated Payment Adjustment

HCPF reported in the Feb. 15, 2024 forecast submission to the JBC that it would be necessary to reset the SFY 2023-24 behavioral health capitation rates due to the unanticipated pace of disenrollments and higher proportion of complex members retaining coverage following the end of the PHE. These complex members have more needs and higher utilization compared to those who are disenrolling from Health First Colorado, resulting in higher costs of care that did not align with the previous rates paid to MCEs. HCPF initially indicated in its early forecast that rate adjustments might total as much as \$81 million, however the actual amount was much lower.

HCPF and their actuaries completed an analysis of several factors including utilization trends, cost trends, and changes to population acuity to determine that, in compliance with 42 CFR 438.7, HCPF would need to increase the aggregate SFY 2023-24 behavioral health capitation rates for every MCE. The adjusted payment total was \$66,982,417, an increase of 6.5% from the original SFY 2023-24 rates. HCPF authorized the payment process for reset capitations for each MCE in June 2024, which was retroactive to July 1, 2023. These payments, shown in Table 1, represent the agreed upon adjustment to the SFY 2023-24 capitation rates set forth in each MCE contract amendment.

Table 1. Total SFY 23-24 Rate Adjustments by MCE

Managed Care Entity	Rate Adjustment Amount	Percentage Increase
RAE 1: Rocky Mountain Health Plans	\$8,293,688	5.12%
RAE 2: Northeast Health Partners	\$285,632	0.49%
RAE 3: Colorado Access	\$17,769,715	7.20%
RAE 4: Health Colorado, Inc.	\$4,441,793	4.07%
RAE 5: Colorado Access	\$8,615,987	5.63%
RAE 6: Colorado Community Health Alliance	\$10,615,731	8.20%
RAE 7: Colorado Community Health Alliance	\$7,747,016	7.30%
Denver Health MCO	\$9,212,854	13.84%
TOTAL:	\$66,982,417	6.50%

Utilization of Funding by MCEs

MCEs are allowed flexibility on how to use the adjusted funds to support providers and clinical services and HCPF monitors spending to ensure compliance with state and federal law. With considerable variation across regions, overall, approximately 60% of

the increased rate is associated with an expansion in the utilization of psychotherapy services in response to Senate Bill 22-156, which prohibits the MCEs to require prior authorization for these services. The remaining 40% of the rate increase is associated with the increase in the acuity of the population served by the MCEs.

The following section includes a summary of how the adjusted payments for reset capitations were used, or were planned to be used, by each MCE.

Region 1 - Rocky Mountain Health Plans (RMHP)

The total adjusted funds received by RMHP has been passed through to Community Mental Health Centers (CMHCs) to adjust value-based contract terms to reflect the actual services provided to members. As the acuity of members assigned to each CMHC increased over the course of SFY 2023-24, so did the average service volume per member.

Region 2 - Northeast Health Partners (NHP)

The total adjusted funds have not been spent by NHP to date. NHP plans to use the majority of the funds on direct payments to providers and a portion will be allotted to administrative expenses consistent with existing terms. NHP will use the total claim payments per provider as an allocation of the total funds (\$285,632). These additional payments will be made proportionally to providers for services in SFY 2023-24. The providers will have the option to apply the additional funds to replenishment of reserves or payments.

Regions 3 and 5 - Colorado Access (CoA)

The acuity-based risk mitigation rate change was agreed to at a regional contract level between HCPF and CoA in the spring of 2023 and the adjustment to revenue was designed to uphold the integrity of the actuarial certification. CoA utilized the adjusted funds to fulfill provider contractual obligations during a time of substantial net loss where member acuity levels increased, enrollment decreased and revenue decreased. There were no delays in claims payments, contract alterations, or any other payment changes made to CoA's provider network during this time.

Region 4 - Health Colorado, Inc. (HCI)

HCI utilized the adjusted funds to make payments to providers with sub-capitation arrangements and replenish reserves associated with payments to FFS providers to support the rising medical expense due to increasing acuity and utilization and decreasing membership with the PHE unwind. In SFY 2023-24, HCI saw an 18%

decrease in membership and 24% increase in per member per month medical expenses compared to SFY 2022-23.

Region 5 - Denver Health Medicaid Choice (DHMC) MCO

The increase in rates has been spent solely on the high volume of claims DHMC has been experiencing. None of the increased rates will be spent on administrative costs and will be directed solely to SFY 2023-24 FFS payments.

Regions 6 and 7 - Colorado Community Health Alliance (CCHA)

CCHA retained 76% of their adjusted funds to replenish reserves used to offset the significant increase in benefit expenses due to the end of the PHE. These funds were used to support providers serving members during this time through rate increases and enhanced customer service. Given the performance of each region, CCHA utilized the remaining 24% of funds to support the Region 6 sub-capitated CMHC provider, Front Range, with a retroactive payment for SFY 2023-24 paid in July 2024.