



**COLORADO**  
Department of Health Care  
Policy & Financing

303 E. 17th Ave. Suite 1100  
Denver, CO 80203

September 23, 2024

Jeff Tieman, CEO  
Colorado Hospital Association  
Via email: jeff.tieman@cha.com

**RE: Exploration of CHASE Program Reforms and State Directed Payments**

Dear Jeff:

Thank you for your letter and ongoing dialogue regarding the Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) hospital provider fees and payments. The Department of Health Care Policy and Financing (HCPF) remains committed to engaging with the Colorado Hospital Association (CHA) and the CHASE Board to ensure the CHASE program continues to fulfill its objectives to increase reimbursement to Colorado hospitals for inpatient and outpatient care provided to Health First Colorado (Medicaid) members and uninsured Coloradans, fund quality incentive payments, increase the number of Coloradans eligible for Health First Colorado and Child Health Plan *Plus* (CHP+) coverage, reduce the need for hospitals to shift costs from public to private payers, and fund its administrative costs.

HCPF has reviewed CHA's proposal to integrate a State Directed Payment program into the CHASE model, and we are committed to evaluating a potential Directed Payment Program. We appreciate CHA's partnership in designing a State Directed Payment program to advance CHASE program objectives. As we move forward together, we would like to address CHA's proposal as well as the activities and timeline shared.

**Directed Payment Program Design and Modeling**

Given the CHASE Board duties outlined in statute, the Board must be centered in the exploration of reforms to the CHASE program like those proposed in CHA's recommendations.

HCPF is committed to working in collaboration with CHA towards a Directed Payment Program under the CHASE Board's guidance. As a next step, we are hoping to gain a better understanding of CHA's vision for the program. HCPF invites CHA to share a more detailed State Directed Payment program proposal as well as any initial modeling and fiscal estimates completed by the CHA team or your contracted advisors.



Specific State Directed Payment decision points for which HCPF is seeking feedback include the following:

- Identifying the type of state directed payment
  - Value Based Payments or fee schedule requirements
- Identifying eligible services
  - Inpatient, outpatient, or both inpatient and outpatient
- Defining the eligible provider class
- Identifying the funding source
  - We understand that CHA is suggesting increasing the amount of the inpatient and outpatient to the maximum 6% net patient revenue limit and adding intergovernmental transfers (IGTs) as sources of the state share. IGTs from governmental entities outside of the executive branch to the executive branch are considered TABOR revenue and are counted in the state's TABOR limit.
  - Whether a TABOR enterprise like CHASE can receive IGTs, and, if so, if such IGTs would be considered TABOR revenue is unknown at this time.
- Defining specific quality measures.

In accordance with CHASE governance requirements, HCPF and the CHASE Board will assess program design options, including any proposals received from CHA, to ensure the impact of a Directed Payment Program aligns with the CHASE program objectives.

### **Directed Payment Work Group**

HCPF agrees that a smaller workgroup would be most effective. Given the CHASE Board's statutory charge to determine changes in the fee program to increase hospitals benefitting from the fee, amongst others, we believe the workgroup should be accountable to the CHASE Board and the Board should determine workgroup composition and objectives.

### **Timeline**

HCPF understands the goal of expediency and has noted CHA's recommendation to submit an initial proposal to the Centers for Medicare and Medicaid Services (CMS) on or before March 2025. We further appreciate CHA's development of an initial timeline to support this goal.

We want to highlight key considerations which may impact the timeline for submission of a Directed Payment Preprint form to CMS:

- Demonstrating alignment with the state's quality strategy and defining initial quality measures and performance targets;
- Submitting an Average Commercial Rate (ACR) Demonstration to ensure compliance with 42 CFR § 438.6(c)(2)(iii);
- Developing a plan to incorporate a Directed Payment Program into managed care contracts;



- Developing a plan to conduct actuarial rate certification and adjust monthly base capitation rates; and
- Potential for additional guidance from CMS expected in relation to the Managed Care final rule released April 2024.

We share your commitment to assessing a Directed Payment Program as quickly as feasible while maintaining program operations. HCPF further commits to working closely with the CHASE Board and CHA to establish and maintain a target timeline for this initiative.

As an immediate next step, we are sharing CHA's proposal and this response with the CHASE Board and expect the Board Chair will include this topic as an agenda item at the Board's next meeting on October 22, 2024.

We look forward to continuing to work collaboratively to explore a State Directed Payment program and appreciate your partnership as we continue to pursue opportunities to enhance the CHASE program overall.

Sincerely,



Kim Bimestefer  
Executive Director

cc: Bettina Schneider, CFO, HCPF  
Nancy Dolson, Special Financing Division Director, HCPF  
Tom Rennell, Senior Vice President of Financial Policy and Data Analytics, CHA

