

# ANNUAL HCPCS UPDATES

## RATE METHODOLOGY

### METHODOLOGY

In the development of rates for new procedure codes resulting from annual HCPCS updated, the Department uses the following rate methodology, for rates effective January 1, 2018. The Department's rate methodology incorporates four factors: salary, facility, administrative, and capital expectations, for all services required as part of each fee-for-service rate. All Facility, Administrative, and Capital Overhead expenses are reduced to a per employee cost and multiplied by the total FTE required to provide services per procedure or unit. Each of the factors is discussed below:

### SALARY EXPECTATIONS

Salary expectations for direct and indirect care workers are based on the Colorado mean wage for each position, direct and indirect care hours for each position, and the full time equivalency required for the delivery of each unit. Wages are collected from the Bureau of Labor Statistics and are updated by the Bureau every two years. Collaboration with policy staff ensures the salaried positions, wage, and hours required conform to the program or service design.

### FACILITY EXPECTATIONS

Facility Expectations incorporates the facility costs using existing facility type property records listing square footage and actual value. Additional facility expenses also include estimated repair and maintenance expenses, utility expenses, and phone and internet expenses. Repair and maintenance price per square foot is determined using industry standards and varies for facilities that are leased and facilities that are owned. Utility pricing includes gas and electricity which are determined annually through the Public Utility Commission who provides summer and winter rates and thermal conversions for appropriated pricing. Finally, internet and phone services are determined using the *Build Your Own Bundle* tool available through the Comcast Business Class website.

### ADMINISTRATIVE EXPECTATIONS

Identifies computer, software, office supply costs, and the total number of employees to determine administrative and operating costs per employee.

## CAPITAL EXPECTATION

Identifies and incorporates additional capital expenses such as medical equipment, supplies, and IT equipment directly related to providing the service to Medicaid clients.

## COMPARATIVE ANALYSIS

Once the Department has completed rate setting, a comparative analysis is performed for fee-for-service rates. Each rate is compared to other states' Medicaid rate and Medicare, when available. This helps to ensure the Department's rates align with other payers. Additionally, when significant differences are identified between other payer's rates further research and analysis is done to clarify the possible reasons for the difference.