



April 16, 2025

Subject: Colorado MPRRAC Dialysis Facility Pricing Methodology

For cycle 1, year 3 of the MPRRAC Rate Review project, Optumas began with the 2024 Medicare PPS base rate of \$271.02, which Medicare then adjusts by a cost of labor factor. This changed the share of the payment attributable to labor according to the local hospital wage index. In this case, the 2024 rate guide established the cost of labor as 55.2% of the dialysis service. The adjustment for the Denver Aurora-Lakewood metropolitan statistical area, Boulder, and Fort Collins was a small reduction, approximately 1-2%. The relatively lower cost-of-living cities of Mesa, Weld, and Pueblo received 4-9% reductions. Rural areas received a 2.6% increase to reflect typical costs associated with rural healthcare such as challenges around staffing and increased travel time and mileage.

Next, adjustments were applied for patient characteristics such as age and certain comorbidities. We were unable to adjust for some characteristics such as low body mass index, high body surface area, or onset of dialysis due to lack of available data.

Medicare would then apply an adjustment for low-volume facilities and high-cost outlier patients, which we were unable to duplicate due to lack of available data.

Next, adjustments were applied for training add-on (an additional \$95.60 for when the dialysis patient or a helper are being trained on performing the procedure at home) or home dialysis (a 57% reduction representing no need for facility payment).

Finally, Medicare would apply adjustments for TDAPA (Transitional Drug Add-on Payment Adjustment) and TPNIES (Transitional Add-on Payment Adjustment for New and Innovative Equipment and Supplies), which we were unable to duplicate due to lack of available data.

The result of this process is the best approximation to reprice the Colorado Medicaid payment into what Medicare would have paid for a like patient, receiving a like service, in a like setting, performed by a like provider.

Conclusion

We recognize and appreciate the scrutiny surrounding the methodology used in this analysis. Optumas's goal was to develop the most accurate and context-specific benchmark possible for evaluating Colorado Medicaid dialysis payments against a Medicare-equivalent standard, subject to certain data limitations.

Relying on national averages or more generalized Medicare benchmarks is a valid approach with faster results. However, given our access to Colorado's full Medicaid claims database we can capture the actual utilization patterns and patient characteristics of the population of dialysis patients. National assumptions will fail to reflect the nuances of regional cost structures, local care delivery models, and unique patient population within Colorado's Medicaid program.

A granular, claim-by-claim repricing approach allowed us to build a Medicare-based model that is more

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relevant and precise for Colorado's landscape. While some of the Medicare adjustments (e.g., TDAPA, TPNIES, or low-volume facility status) could not be applied due to data limitations, the national benchmark with a single regional adjustment would not apply these detailed adjustments either.

We acknowledge certain limitations transparently and have documented where and why certain Medicare adjustments were excluded. Ultimately, our approach strikes a balance between technical feasibility and accuracy, using the best available data to deliver a Medicare benchmark that is fair, defensible, and tailored to the specific characteristics of the Colorado Medicaid population.