



COLORADO
Department of Health Care
Policy & Financing

Department of Health Care Policy & Financing
1570 Grant Street
Denver, CO 80203

November 2, 2020

The Honorable Daneya Esgar, Chair
Joint Budget Committee
200 East 14th Avenue, Third Floor
Denver, CO 80203

Dear Representative Esgar:

Enclosed please find the Department of Health Care Policy & Financing's (Department) response to the Joint Budget Committee's Legislative Request for Information #3 regarding savings achieved by Department initiatives.

Legislative Request for Information #3 states:

The Dept. is requested to submit a report by Nov. 1, 2020, and 2021 on the actual savings achieved by all initiatives that the Department projected would achieve savings in the FY 2019-20 budget request.

There were three budget requests submitted in the Department's Nov. 1, 2018 request for Fiscal Year (FY) 2019-20 that anticipated savings in FY 2019-20. The three requests covered areas in our Medicaid Enterprise Operations, provider rate adjustments based on recommendations from the Medicaid Provider Rate Review Advisory Committee or other comparative analysis, and creating a more accurate eligibility determination system.

If you require further information or have additional questions, please contact the Department's Legislative Analyst, Jill Mullen, at Jill.Mullen@state.co.us or 720-682-3046.

Sincerely,

A handwritten signature in black ink, appearing to read 'K Bimestefer', written over a horizontal line.

Kim Bimestefer
Executive Director



Enclosure(s): Health Care Policy and Financing FY 2020-21 RFI #3

CC: Senator Dominick Moreno, Vice-chair, Joint Budget Committee
Representative Julie McCluskie, Joint Budget Committee
Representative Kim Ransom, Joint Budget Committee
Senator Bob Rankin, Joint Budget Committee
Senator Rachel Zenzinger, Joint Budget Committee
Carolyn Kampman, Staff Director, JBC
Eric Kurtz, JBC Analyst
Lauren Larson, Director, Office of State Planning and Budgeting
Edmond Toy, Budget Analyst, Office of State Planning and Budgeting
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John Bartholomew, Finance Office Director, HCPF
Tracy Johnson, Medicaid Director, HCPF
Bonnie Silva, Community Living Interim Office Director, HCPF
Tom Massey, Policy, Communications, and Administration Office Director, HCPF
Anne Saumur, Cost Control Office Director, HCPF
Parrish Steinbrecher, Health Information Office Director, HCPF
Rachel Reiter, External Relations Division Director, HCPF



Legislative Request for Information HCPF #3

November 1, 2020

Submitted to: Joint Budget Committee



COLORADO
Department of Health Care
Policy & Financing

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I. Legislative Request for Information:

Legislative request for information #3 states:

Department of Health Care Policy and Financing, Medical Services Premiums -- The Department is requested to submit reports by November 1, 2020 and 2021 on the actual savings achieved by all initiatives that the Department projected would achieve savings in the FY 2019-20 budget request.

There were three budget requests submitted in the Department of Health Care Policy & Financing's (Department) November 1, 2018 request for Fiscal Year (FY) 2019-20 that anticipated savings in FY 2019-20. The three requests covered areas in the Department's Medicaid Enterprise Operations, provider rate adjustments based on recommendations from the Medicaid Provider Rate Review Advisory Committee or other comparative analysis, and creating a more accurate eligibility determination system. The details of these requests are below. All other requests with estimated savings were for FY 2020-21 or beyond. Any FY 2020-21 savings would be reported in the response to this legislative request and will be submitted on November 1, 2021. This legislative report will summarize the three budget requests and provide a summary of the results. The Department has accounted for any difference between the projected savings and the achieved savings in its November 1, 2020 budget request (R-1, Medical Services Premiums).

II. FY 2019-20 R-12 Medicaid Enterprise Operations

A. Overview of R-12:

The Department requested funds to resolve outstanding issues with the Medicaid Management Information System (MMIS) implementation and to procure a fraud technology initiative to assess potential areas of vulnerability to fraud, waste and abuse. The Department requested \$850,000 in FY 2019-20 to purchase a fraud, waste and abuse (FWA) assessment service from its data reporting system contractor.

The Department has made a concerted effort to identify and recover overpayments made to providers later deemed inappropriate. Previously, the Department's recovery contractors ran targeted projects of narrow scope to identify and recover funds in specific pre-defined areas. The new FWA assessment tool can scan the Department's entire data warehouse looking for recoverable overpayments and cost-avoidance opportunities never identified by recovery contractors. The Department's contractor offered this service with a guarantee to recover a minimum of \$1,000,000. If those recoveries are not met, the contractor would make up the difference between the total



recoveries and the guarantee. For example, if the recoveries yield \$800,000, the contractor would pay the Department \$200,000.

Future work in this area would further expand on the analysis already completed to examine cost-containment opportunities in managed care services and will add greater emphasis on future cost avoidance. The assessments would inform the Department on claims edits that can be created, enacted or improved to prevent some of the overpayments in the first place.

To estimate Colorado Medicaid's exposure to FWA and overpayments, the Department's contractor (IBM Watson Health) applied its Vulnerability Assessment solution to examine two years of paid claims history and analyzed the results. Managed care claims were omitted from this initial assessment. The review included 100 percent of paid fee-for-service (FFS) claims data (excluding claims where Medicare was the primary payer) for services incurred from Feb. 1, 2015, to Jan. 31, 2017, and paid prior to March 1, 2017. On Jan. 15, 2020, a preliminary report was delivered to the Department for review. The preliminary report focused on a subset of algorithms prioritized by the potential for the return on investment the Department may realize from pursuing potential recoveries. Following the sampling process and delivery of the preliminary report by IBM Watson Health, the Department began recovery efforts.

B. Savings Achieved:

As a result of this work, Notice of Adverse Action letters were sent to six providers. As a result of the adverse action letter, the Department has recovered \$136,836 in overpayments from this project, with \$916,320.82 in overpayments pending appeal with the Office of Administrative Courts.

The Department's work in this area continues and the Vulnerability Assessment is being applied to other claims areas as well as more recent claims. The Department anticipates this initiative will continue to generate future savings.

III. FY 2019-20 R-13 Provider Rate Adjustments

A. Overview of R-13:

The Department requested a decrease of \$14,697,528 in total funds, \$4,099,895 General Fund, to achieve cost savings in three areas of FFS rates: anesthesia services, laboratory and pathology services, and diabetic test strips.

- **Anesthesia Services:** The Department requested an anesthesiology rate decrease to align with recommendations of the 2017 Medicaid Provider Rate Review Analysis Report. While the Department originally requested a rate decrease to 100 percent of the 2016 Medicare conversion factor, this request was changed prior to the signing of the Long Bill, Senate Bill (SB)



19-207. The Long Bill included a rate reduction to anesthesia services to 120 percent of the benchmark Medicare rates. The Long Bill included cost savings of \$3,133,792 total funds, \$925,096 General Fund.

- **Laboratory and Pathology Services:** The Department requested to rebalance 54 identified laboratory and pathology FFS rates to the 2017 Medicare Clinical Laboratory Fee Schedule (CLFS) rates benchmark. The goal of this rebalance was to reduce rates over 100 percent of the benchmark and increase rates below 80 percent of the benchmark resulting in a net reduction to expenditure. This goal also aligns with recommendations made by the Medicaid Provider Rate Review Advisory Committee in the 2016 Medicaid Provider Rate Review Analysis Report. The Department projected cost savings of \$9,262,666 total funds, \$2,301,773 General Fund.
- **Diabetic Test Strips:** The Department requested a rate decrease for diabetic test strips based on a comparative analysis of other states and average reimbursement of retailers per box of diabetic test strips. The Department projected cost savings of \$2,301,070 total funds, \$873,026 General Fund.

B. Savings Achieved:

The Department estimated savings by repricing each individual claim paid in FY 2019-20 to the rates paid in FY 2018-19. In this way, the Department estimates what would have been paid under the old rates and compares that to actual expenditure. The difference is the estimated savings.

- **Anesthesia Services:** Reduction of anesthesia rates to 120 percent of the benchmark resulted in actual savings of \$3,160,616 total funds, \$933,014 General Fund, exceeding the revised estimated savings based on the 120 percent benchmark to Medicare rates.
- **Laboratory and Pathology Services:** The rate rebalance of 54 laboratory and pathology procedure codes resulted in cost savings of \$6,447,531 total funds, \$1,609,660 General Fund, lower than the estimated savings. The Department attributes the differences to increased utilization of procedure codes where rates were raised to 80 percent of the benchmark. The Department has identified seven procedure codes where utilization increased more than 100 percent, ranging from 143 percent to 1,248 percent, in FY 2019-20, which accounted for an additional \$3,883,740 in claims payments for lab and pathology services. Without these increases in utilization for the seven identified codes, the Department would have exceeded the cost savings goal from this request by \$1,983,093.



- **Diabetic Test Strips:** The rate reduction of diabetic test strips reimbursement resulted in cost savings of \$2,206,566 in total funds, \$837,171 in General Fund, lower than the estimated savings. The Department attributes the lower savings to a decrease in utilization for these items; between FY 2018-19 and FY 2019-20, there was a 2.94 percent decrease in utilization from FY 2018-19 to FY 2019-20. If utilization had remained at the FY 2018-19 level, the Department estimates it would have otherwise met the savings goal as projected.

IV. **FY 2019-20 R-15 Operational Compliance and Oversight - Eligibility Determination Reviews**

A. Overview of R-15:

The Department requested funding to hire a contractor to review eligibility determinations completed in Colorado Benefits Management System (CBMS) and a full-time employee (FTE) to manage the contract. The CBMS is a mission-critical system that determines eligibility for all beneficiaries and directly contributes to the processing and adjudicating of payments. With constant and frequent changes to the system, the Department believed an ongoing review was necessary to ensure the CBMS is operating accurately.

The Department’s key goals for this request included:

- Ensuring CBMS eligibility determinations are correct and adhere to policy and rules;
- Identifying system errors and vulnerabilities that lead to beneficiaries being incorrectly approved for or denied assistance; and
- Ensuring vulnerabilities and errors are addressed promptly.

In FY 2019-20, the Department expected to achieve cost-savings of approximately \$1.7 million as beneficiaries incorrectly deemed eligible were identified and removed from the program. The Department received funding for FY 2019-20 to procure a contractor to review the eligibility determinations in CBMS; however, the Department identified an opportunity to improve and expand its ability to manage the eligibility reviews in-house. The Department submitted a Budget Amendment (BA-11) to repurpose the contractor resources to hiring FTEs to perform these duties instead. The Department received approval of BA-11 for FY 2020-21 and is in the process of hiring the FTEs.

B. Savings Achieved:

In February 2020, the Department hired a contractor to conduct a small, short-term audit for the remainder of the fiscal year to meet the strategic priorities and goals of this budget request and anticipated achieving the savings by the end of the fiscal year. However, beginning in March 2020, the Families First



Coronavirus Response Act prevented states from terminating coverage for any beneficiary enrolled in Medicaid during the emergency period. Therefore, due to the novel coronavirus (COVID-19) pandemic, the scope of the review was limited and the Department was unable to terminate beneficiaries.

When the prohibition on terminating beneficiaries is lifted, the Department will resume these eligibility determination reviews.

