

Please note: For draft changes to the IP Base Rate Methodology effective 7.1.2023, please scroll through document to see areas that are noted to be modified by either blue or red font and yellow highlight. We've added comments to explain things where necessary, but those comments won't show up in final rule. Please keep in mind that this is only a draft and the rules are very likely to be tweaked as to references to other sections and wording to pass review with the Attorney General's office along with the Medical Services Board.

If a hospital stakeholder would like to suggest a change to the rule as currently written, please contact Diana Lambe at diana.lambe@state.co.us.

DEPARTMENT OF HEALTH CARE POLICY AND FINANCING
Medical Services Board

MEDICAL ASSISTANCE - SECTION 8.300 Hospital Services, Long Term Care Single Entry Point System
10 CCR 2505-10 8.300

[Editor's Notes follow the text of the rules at the end of this CCR Document.]

8.300 HOSPITAL SERVICES

8.300.1 Definitions

- 8.300.1.A.** Abbreviated Client Stay means an Inpatient stay ending in client death or in which the client leaves against medical advice.
- 8.300.1.B.** Concurrent Review means a review of quality, Medical Necessity and/or appropriateness of a health care procedure, treatment or service during the course of treatment.
- 8.300.1.C.** Continued Stay Review means a review of quality, Medical Necessity and appropriateness of an Inpatient health care procedure, treatment or service.
- 8.300.1.D.** Department means the Department of Health Care Policy and Financing.
- 8.300.1.E.** Diagnosis Related Group (DRG) means a cluster of similar conditions within a classification system used for Hospital reimbursement. It reflects clinically cohesive groupings of Inpatient hospitalizations that utilize similar amounts of Hospital resources.
- 8.300.1.F.** DRG Hospital means a Hospital that is reimbursed by the Colorado Medicaid program based on a system of DRGs. Those Hospitals reimbursed based on a DRG system are: General Hospitals, Critical Access Hospitals, Pediatric Hospitals.
- 8.300.1.G.** Diagnostic Services means any medical procedures or supplies recommended by a licensed professional within the scope of his/her practice under state law to enable him/her to identify the existence, nature, or extent of illness, injury or other health condition in a client.
- 8.300.1.H.** Disproportionate Share Hospital (DSH) Factor is a percentage add-on adjustment that qualified Hospitals receive for serving a disproportionate share of low-income clients.
- 8.300.1.I.** Emergency Care Services, for the purposes of this rule, means services for a medical condition, including active labor and delivery, manifested by acute symptoms of sufficient severity, including severe pain, that a prudent layperson, who possesses an average knowledge of health and medicine, could reasonably expect the absence of immediate medical attention to result in: (1) placing the client's health in serious jeopardy, (2) serious impairment to bodily functions or (3) serious dysfunction of any bodily organ or part.
- 8.300.1.J.** Enhanced Ambulatory Patient Group (EAPG) means a cluster of similar procedures within a classification system used for Hospital reimbursement. It reflects clinically cohesive groupings of services performed during Outpatient visits that utilize similar amounts of Hospital resources.

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8.300.1.K. Hospital means an institution that is (1) primarily engaged in providing, by or under the supervision of physicians, Inpatient medical or surgical care and treatment, including diagnostic, therapeutic and rehabilitation services, for the sick, disabled and injured; (2) licensed, when located in Colorado, as a Hospital by the Colorado Department of Public Health and Environment (CDPHE); and, when not located in Colorado, by the state in which it is located; and (3) certified for participation in the Centers for Medicare and Medicaid Services (CMS) Medicare program. Hospitals can have multiple satellite locations as long as they meet the requirements under CMS. For the purposes of the Colorado Medicaid program, distinct part units and satellite locations are considered part of the Hospital under which they are licensed. Transitional Care Units (TCUs) are not considered part of the Hospital for purposes of the Colorado Medicaid program. Types of Hospitals are:

1. A General Hospital is licensed and CMS-certified as a General Hospital that, under an organized medical staff, provides Inpatient services, emergency medical and surgical care, continuous nursing services, and necessary ancillary services. A General Hospital may also offer and provide Outpatient services, or any other supportive services for periods of less than twenty-four hours per day.
2. A Critical Access Hospital (CAH) is licensed and CMS-certified as a Critical Access Hospital. CAHs offer emergency services and limited Inpatient care. CAHs may offer limited surgical services and/or obstetrical services including a delivery room and nursery.
3. A Pediatric Hospital is licensed as a General Hospital and CMS-certified as a children's Hospital providing care primarily to populations aged seventeen years and under.
4. A Rehabilitation Hospital is licensed and CMS-certified as a Rehabilitation Hospital which primarily serves an Inpatient population requiring intensive rehabilitative services including but not limited to stroke, spinal cord injury, congenital deformity, amputation, major multiple trauma, fracture of femur, brain injury, and other disorders or injuries requiring intensive rehabilitation.
5. A Long-Term Care Hospital is licensed as a General Hospital and CMS-certified as a Long-Term Care Hospital which primarily serves an inpatient population requiring long- term care services including but not limited to respiratory therapy, head trauma treatment, complex wound care, IV antibiotic treatment and pain management.
6. A Spine/Brain Injury Treatment Specialty Hospital licensed as a General Hospital and CMS-certified as a Long-Term Care Hospital OR CMS-certified as a Rehabilitation Hospital is a Not-for Profit Hospital as determined by the CMS Cost Report for the most recent fiscal year. A Spine/Brain Injury Treatment Specialty Hospital primarily serves an inpatient population requiring long term acute care and extensive rehabilitation for recent spine/brain injuries. To qualify as a Spine/Brain Injury Treatment Specialty Hospital, for at least 50% of Medicaid members discharged in the preceding calendar year the hospital must have submitted Medicaid claims including spine/brain injury treatment codes (previously grouped to APR-DRG 40, 44, 55, 56, and 57). The Department shall revoke the designation if the percentage of Medicaid members discharged falls below the 50% requirement for a calendar year. Designation is removed the calendar year following the disqualifying year.

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7. A Psychiatric Hospital is licensed and CMS-certified as a Psychiatric Hospital to plan, organize, operate, and maintain facilities, beds, and treatment, including diagnostic, therapeutic and rehabilitation services, over a continuous period exceeding twenty-four (24) hours, to individuals requiring early diagnosis, intensive and continued clinical therapy for mental illness; and mental rehabilitation. A Psychiatric Hospital can qualify to be a state-owned Psychiatric Hospital if it is operated by the Colorado Department of Human Services.
8. A Medicare Dependent Hospital is defined as set forth at 42 C.F.R § 412.103. 42 C.F.R. § 412.108(1) (2019) is hereby incorporated by reference into this rule. Such incorporation, however, excludes later amendments to or editions of the referenced material. This regulation is available for public inspection at the Department of Health Care Policy and Financing, 1570 Grant Street, Denver, CO 80203. Pursuant to C.R.S § 24-4-410(12.5)(V)(b), the Department shall provide certified copies of the material incorporated at cost upon request or shall provide the requestor with information on how to obtain a certified copy of the material incorporated by reference from the agency of the United States, this state, another state, or the organization or association originally issuing the code, standard, guideline or rule.
9. A Non-independent Urban Hospital is a hospital which reports a name of the home office of the chain with which they are affiliated on the CMS-2552-10 Cost Report in Worksheet S-2 Part 1, Line 141, Column 1, with the exception of individual hospitals reporting an affiliation not reported amongst other hospitals located in Colorado. *Already existing in rule to identify system hospitals.*
10. *A Sole Community Hospital (SCH) should we use same language used to describe Medicare Dependent Hospital above? and CMS-certified as a Sole Community Hospital.*
11. *For the purposes of 8.300: Hospital Services, Prospective Payment System (PPS) inpatient hospitals are categorized by CMS as hospitals which Medicare pays on a prospective basis and provides data in the Medicare IPPS IMPACT file from which to create their PPS rate. Conversely, non-Prospective Payment System (PPS) inpatient hospitals are categorized by CMS as Pediatric and Critical Access Hospitals for which Medicare does not pay on a prospective basis and therefore do not have data available on the Medicare IPPS IMPACT file.*

8.300.1.L. Inpatient means a person who is receiving professional services at a Hospital; the services include a room and are provided on a continuous 24-hour-a-day basis. Generally, a person is considered an Inpatient by a physician's order if formally admitted as an Inpatient with the expectation that the client will remain at least overnight and occupy a bed even though it later develops that the client can be discharged or transferred to another Hospital and does not actually use a bed overnight.

8.300.1.M. Inpatient Hospital Services means preventive, therapeutic, surgical, diagnostic, medical and rehabilitative services that are furnished by a Hospital for the care and treatment of Inpatients and are provided in the Hospital by or under the direction of a physician.

8.300.1.N. Medical Necessity is defined at Section 8.076.1.

8.300.1.O. Non-DRG Hospital means a Hospital that is not reimbursed by the Colorado Medicaid program based on a system of DRGs. Psychiatric Hospitals, Long-Term Care Hospital, Rehabilitation Hospital and Spine/Brain Injury Treatment Specialty Hospital are considered Non- DRG Hospitals since their reimbursement is based on a per diem rate.

8.300.1.P. Observation Stay means a stay in the Hospital for no more than forty-eight hours for the purpose of (a) evaluating a client for possible Inpatient admission; or (b) treating clients expected to be stabilized and released in no more than 24 hours; or (c) extended recovery following a complication of an Outpatient procedure. Only rarely will an Observation Stay exceed twenty-four hours in length.

8.300.1.Q. Outlier Days mean the days in a Hospital stay that occur after the Trim Point Day.

8.300.1.R. Outpatient means a client who is receiving professional services at a Hospital, which is not providing him/her with room and board and professional services on a continuous 24-hour-a- day basis.

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- 8.300.1.S.** Outpatient Hospital Services means preventive, diagnostic, therapeutic, rehabilitative, or palliative services that are furnished to Outpatients; and are furnished by or under the direction of a physician or dentist.
- 8.300.1.T.** Prospective Review means a review of quality, Medical Necessity and/or appropriateness of a health care procedure, treatment or service prior to treatment.
- 8.300.1.U.** Rehabilitative Services means any medical or remedial services recommended by a physician within the scope of his/her practice under state law, for maximum reduction of physical or mental disability and restoration of a client to his/her best possible functional level.
- 8.300.1.V.** Relative Weight (DRG weight or EAPG weight) means a numerical value which reflects the relative resource consumption for the DRG or EAPG to which it is assigned. Modifications to these Relative Weights are made when needed to ensure payments reasonably reflect the average cost for each DRG or EAPG. Relative Weights are intended to be cost effective and based upon Colorado data as available.
- 8.300.1.W.** Retrospective Review means a review of quality, Medical Necessity and/or appropriateness of a health care procedure, treatment or service following treatment. A Retrospective Review can occur before or after reimbursement has been made.
- 8.300.1.X.** Rural Hospital means a Hospital not located within a metropolitan statistical area (MSA) as designated by the United States Office of Management & Budget.
- 8.300.1.Y.** State University Teaching Hospital means a Hospital which provides supervised teaching experiences to graduate medical school interns and residents enrolled in a state institution of higher education; and in which more than fifty percent (50%) of its credentialed physicians are members of the faculty at a state institution of higher education.
- 8.300.1.Z.** Swing Bed Designation means designation of Hospital beds in a Rural Hospital with less than 100 beds for reimbursement under Medicare for furnishing post-hospital extended care services to Medicare beneficiaries in compliance with the Social Security Act, Sections 1883 and 1866. Such beds are called "swing beds."
- 8.300.1.AA.** Trim Point Day (Outlier Threshold Day) means the day during an inpatient stay after which Outlier Days are counted. The Trim Point Day occurs 2.58 standard deviations above the average length of stay for each DRG. Beginning July 1, 2020, the Trim Point Day for delivery and neonate DRGs is equal to the Trim Point Day as calculated in the applicable Hospital-Specific Relative Value National File for Delivery and Neonate DRGs.
- 8.300.1.BB.** Urban Hospital means a Hospital located within a MSA as designated by the United States Office of Management & Budget.
- 8.300.1.CC.** Urban Safety Net Hospital means an Urban, General Hospital for which the Medicaid Inpatient eligible days plus Colorado Indigent Care Program (CICP) Inpatient days relative to total Inpatient days, rounded to the nearest percent are equal to or exceed sixty five percent. To qualify as an Urban Safety Net Hospital, a Hospital must submit its most current information on Inpatient days by March 1 of each year for the Inpatient rates effective on July 1 of that same year. The Department may rely on other data sources for the calculation if there are discrepancies between the data submitted by the Hospital and alternative data sources such as claims or cost report data. (removing since no longer needed in new methodology)

8.300.2 Requirements for Participation

8.300.2.A In-Network Hospitals

1. In order to qualify as an in-network Hospital, a Hospital must:
 - a. be located in Colorado
 - b. be certified for participation as a Hospital in the Medicare Program;
 - c. have an approved Application for Participation with the Department; and
 - d. have a fully executed contract with the Department.
2. A border-state Hospital (located outside of Colorado) which is more accessible to clients who require Hospital services than a Hospital located within the state may be an in-network Hospital by meeting the requirements of 10 CCR 2505-10 Section 8.300.2.A.1.b – c. The Department shall make the proximity determination for Hospitals to enroll as a border-state Hospital.
3. In-network and out-of-network Hospitals located in Colorado shall be surveyed by the CDPHE. Failure to satisfy the requirements of CDPHE may cause the Department to institute corrective action as it deems necessary.

8.300.2.B Out-of-Network Hospitals

An out-of-network Hospital, including out-of-state Hospitals, may receive payment for emergency Hospital services if:

1. the services meet the definition of Emergency Care;
2. the services are covered benefits;
3. the Hospital agrees on an individual case basis not to charge the client, or the client's relatives, for items and services which are covered Medicaid benefits, and to return any monies improperly collected for such covered items and services; and
4. the Hospital has an approved Application for Participation with the Department.

8.300.2.C Out-of-State Hospitals

Out-of-state Hospitals may receive reimbursement for non-emergent Hospital services if they meet the conditions specified in 10 CCR 2505-10 Section 8.300.2.B.2 – 4, and the Department has issued a written prior authorization.

8.300.2.D Hospitals with Swing-Bed Designation

1. Hospitals which intend to designate beds as swing beds shall apply to CDPHE for certification of swing beds and to the Department for participation as a Medicaid provider of nursing facility services. The criteria in 10 CCR 2505-10 Section 8.430 must be met in order to become a Medicaid provider.
2. Hospitals providing nursing facility services in swing beds shall furnish within the per diem rate the same services, supplies and equipment which nursing facilities are required to provide.

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3. Clients and/or their responsible parties shall not be charged for any of these required items or services as specified in 10 CCR 2505-10 Sections 8.440 and 8.482.
4. Hospitals providing nursing facility services to swing-bed clients shall be in compliance with the following nursing facility requirements.
 - a. Client rights: 42 C.F.R. Section 483.10(b)(3), (b)(4), (b)(5), (b)(6), (d), (e), (h), (i), (j)(1)(vii), (j)(1)(viii), (l), and (m).
 - b. Client Admission, transfer and discharge rights: 42 C.F.R. Section 483.12 (a)(1) through (a)(7).
 - c. Client behavior and facility practices: 42 C.F.R. Section 483.13.
 - d. Client activities: 42 C.F.R. Section 483.15(f).
 - e. Social Services: 42 C.F.R. Section 483.15(g).
 - f. Discharge planning: 42 C.F.R. Section 483.20(e)
 - g. Specialized rehabilitative services: 42 C.F.R. Section 483.45.
 - h. Dental services: 42 C.F.R. Section 483.55.
5. Personal Needs Funds and Patient Payments

Swing-bed Hospitals shall maintain personal needs accounts, submit AP-5615 forms, and be responsible for collecting patient payment amounts in accordance with the requirements established for nursing facilities in 10 CCR 2505-10 Section 8.482.

8.300.3 Covered Hospital Services

8.300.3.A Covered Hospital Services - Inpatient

Inpatient Hospital Services are a Medicaid benefit, when provided by or under the direction of a physician, for as many days as determined Medically Necessary.

1. Inpatient Hospital services include:
 - a. bed and board, including special dietary service, in a semi-private room to the extent available;
 - b. professional services of hospital staff;
 - c. laboratory services, therapeutic or Diagnostic Services involving use of radiology & radioactive isotopes;
 - d. emergency room services;
 - e. drugs, blood products;
 - f. medical supplies, equipment and appliances as related to care and treatment; and

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g. associated services provided in a 24-hour period immediately prior to the Hospital admission, during the Hospital stay and 24 hours immediately after discharge. Such services can include, but are not limited to laboratory, radiology and supply services provided on an outpatient basis.

2. Medical treatment for the acute effects and complications of substance abuse toxicity is a covered benefit.
3. Prior to July 1, 2020, Medicaid payments on behalf of a newborn are included in reimbursement for the period of the mother's hospitalization for the delivery. If there is a Medical Necessity requiring that the infant remain hospitalized following the mother's discharge, services are reimbursed under the newborn's identification number, and separate from the payment for the mother's hospitalization.

Beginning July 1, 2020, reimbursement for a mother's hospitalization for delivery does not include reimbursement for the newborn's hospitalization. Services shall be reimbursed under the identification number of each client.

4. Psychiatric Hospital Services

Inpatient Hospital psychiatric care is a Medicaid benefit for individuals age 20 and under when provided as a service of an in-network Hospital.

- a. Inpatient care in a Psychiatric Hospital is limited to forty-five (45) days per state fiscal year, unless additional services are prior-authorized as medically necessary by the Department's utilization review vendor or other Department representative, and includes physician services, as well as all services identified in 8.300.3.A.1, above.
- b. Inpatient psychiatric care in Psychiatric Hospitals is a Medicaid benefit only when:
 - i. services involve active treatment which a team has determined is necessary on an Inpatient basis and can reasonably be expected to improve the condition or prevent further regression so that the services shall no longer be needed; the team must consist of physicians and other personnel qualified to make determinations with respect to mental health conditions and the treatment thereof; and
 - ii. services are provided prior to the date the individual attains age 21 or, in the case of an individual who was receiving such services in the period immediately preceding the date on which he/she attained age 21, the date such individual no longer requires such services or, if earlier, the date such individual attains age 22.
- c. Medicaid clients obtain access to inpatient psychiatric care through the Community Mental Health Services Program defined in 10 CCR 2505-10, Section 8.212.

5. Inpatient Hospital Dialysis

Inpatient Hospital dialysis treatment is a Medicaid benefit at in-network DRG Hospitals for eligible recipients who are Inpatients only in those cases where hospitalization is required for:

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- a. an acute medical condition for which dialysis treatments are required; or
- b. any other medical condition for which the Medicaid Program provides payment when the eligible recipient receives regular maintenance treatment in an Outpatient dialysis program; or
- c. placement or repair of the dialysis route (“shunt”, “cannula”).

6. Inpatient Subacute Care

Administration of subacute care by an enrolled hospital in its inpatient hospital or alternate care facilities is covered for the duration of the Coronavirus Disease 2019 (COVID-19) public health emergency. Subacute care in a hospital setting shall be equivalent to the level of care administered by a skilled nursing facility for skilled nursing and intermediate care services as defined in 10 CCR 2505-10, Sections 8.406 and 8.409. Members may be admitted to subacute care after an inpatient admission, or directly from an emergency department, observation status, or primary care referral to the administering hospital.

8.300.3.B Covered Hospital Services – Outpatient

Outpatient Hospital Services are a Medicaid benefit when determined Medically Necessary and provided by or under the direction of a physician. Outpatient Hospital Services are limited to the scope of Outpatient Hospital Services as defined in 42 C.F.R. Section 440.20.

1. Observation Stays

Observation stays are a covered benefit as follows:

- a. Clients may be admitted as Outpatients to Observation Stay status.
- b. With appropriate documentation, clients may stay in observation more than 24 hours, but an Observation Stay shall not exceed forty-eight hours in length.
- c. A physician’s order must be written prior to initiation of the Observation Stay.
- d. Observation Stays end when the physician orders either Inpatient admission or discharge from observation.
- e. An Inpatient admission cannot be converted to an Outpatient Observation Stay after the client is discharged.

2. Outpatient Hospital Psychiatric Services

Outpatient psychiatric services, including prevention, diagnosis and treatment of emotional or mental disorders, are Medicaid benefits at DRG Hospitals.

- a. Psychiatric outpatient services are not a Medicaid benefit in freestanding psychiatric hospitals.

3. Emergency Care

- a. Emergency Care Services are a Medicaid benefit, and are exempt from primary care provider referral.

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- b. An appropriate medical screening examination and ancillary services such as laboratory and radiology shall be available to any individual who comes to the emergency treatment facility for examination or treatment of an emergent or apparently emergent medical condition and on whose behalf the examination or treatment is requested.

8.300.3.C. Bariatric Surgery

1. Eligible Clients

- a. All currently enrolled Medicaid clients over the age of sixteen when:
 - i) The client has clinical obesity; and
 - ii) It is Medically Necessary.

2. Eligible Providers

- a. Providers must enroll in Colorado Medicaid.
- b. Surgeons must be trained and credentialed in bariatric surgery procedures.
- c. Preoperative evaluations and treatment may be performed by:
 - i) Primary care physician,
 - ii) Nurse Practitioner,
 - iii) Physician Assistant,
 - iv) Registered dietician,
 - v) Mental health providers available through the Client's Behavioral Health Organization.

3. Eligible Places of Service

- a. All surgeries shall be performed at a Hospital, as defined at 8.300.1.
 - i) Facilities must have safety protocols in place specific to the care and treatment of bariatric clients.
- b. Pre- and Post- operative care may be performed at a physician's office, clinic, or other medically appropriate setting.

4. Covered Services and Limitations

- a. Colorado Medicaid covers participating providers for one bariatric procedure per client lifetime unless a revision is appropriate based one of the identified complications.
 - i) Appropriate revision procedures are identified at section 8.300.3.C.4.d.

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b. Covered primary procedures Include:

- i) Roux-en-Y Gastric Bypass;
- ii) Adjustable Gastric Banding;
- iii) Biliopancreatic Diversion with or without Duodenal Switch;
- iv) Vertical-Banded Gastroplasty;
- v) Vertical Sleeve Gastroplasty.

c. Criteria for Primary Procedures

All Clients must meet the first four following criteria, clients under age 18 must meet criteria five:

- i) The client is clinically obese with one of the following:
 - 1) BMI of 40 or higher, or
 - 2) BMI of 35-40 with objective measurements documenting one or more of the following co-morbid conditions:
 - a) Severe cardiac disease;
 - b) Type 2 diabetes mellitus;
 - c) Obstructive sleep apnea or other respiratory disease;
 - d) Pseudo-tumor cerebri;
 - e) Hypertension;
 - f) Hyperlipidemia;
 - g) Severe joint or disc disease that interferes with daily functioning;
 - h) Intertriginous soft-tissue infections, nonalcoholic steatohepatitis, stress urinary incontinence, recurrent or persistent venous stasis disease, or significant impairment in Activities of Daily Living (ADL).
- ii) The BMI level qualifying the client for surgery (>40 or >35 with one of the above co-morbidities) must be of at least two years' duration. A client's BMI may fluctuate around the required levels during this period around the required levels, and will be reviewed on a case-by-case basis.
- iii) The client must have made at least one clinically supervised attempt to lose weight lasting at least six consecutive months or longer within the past eighteen months of the prior authorization request, monitored by a registered dietician that is supervised by a physician, nurse practitioner, or physician's assistant.

- iv) Medical and psychiatric contraindications to the surgical procedure must have been ruled out through:
 - 1) A complete history and physical conducted by or in consultation with the requesting surgeon; and
 - 2) A psychiatric or psychological assessment, conducted by a licensed mental health professional, no more than three months prior to the requested authorization. The assessment must address both potential psychiatric contraindications and client's ability to comply with the long-term postoperative care plan.
- v) For clients under the age of eighteen, the following must be documented:
 - 1) The exclusion or diagnosis of genetic or syndromic obesity, such as Prader-Willi Syndrome;
 - 2) Whether female clients have attained Tanner stage IV breast development; and
 - 3) Whether bone age studies estimate the attainment of 95% of projected adult height.
 - 4) Mental health evaluations for clients age 17 must address issues specific to these clients' maturity as it relates to compliance with postoperative instructions.
- d. Revision Procedures
 - i) Colorado Medicaid covers Revisions of a surgery for clinical obesity if it is used to correct complications such as slippage of an adjustable gastric band, intestinal obstruction, or stricture, following a primary procedure.
 - ii) Indications for surgical revision:
 - 1) Weight loss to 20% below the ideal body weight;
 - 2) Esophagitis, unresponsive to nonsurgical treatment;
 - 3) Hemorrhage or hematoma complicating a procedure;
 - 4) Excessive bilious vomiting following gastrointestinal surgery;
 - 5) Complications of the intestinal anastomosis and bypass;
 - 6) Stomal dilation, documented by endoscopy;
 - 7) Documented slippage of the adjustable gastric band;
 - 8) Pouch dilation documented by upper gastrointestinal examination or endoscopy producing weight gain of 20% or more, provided that:
 - a) The primary procedure was successful in inducing weight loss prior to the pouch dilation; and

b) The client has been compliant with a prescribed nutrition and exercise program following the procedure (weight and BMI prior to surgery, at lowest stable point, and at current time must be submitted along with surgeon's statement to document compliance with diet and exercise);

9) Other and unspecified post-surgical non-absorption complications.

e. Non-Covered Services:

- i) For Clients with clinically diagnosed COPD (Chronic Obstructive Pulmonary Disease), including Chronic Bronchitis or Emphysema.
- ii) Repeat procedures not associated with surgical complications.
- iii) Cosmetic Follow-up: Weight loss following surgery for clinical obesity can result in skin and fat folds in locations such as the medial upper arms, lower abdominal area, and medial thighs. Surgical removal of this skin and fat for solely cosmetic purposes is not a covered benefit.
- iv) During pregnancy.

5. Prior Authorization Requirements

All bariatric surgical procedures require prior authorization, which must include:

- a) The Client's height, weight, BMI with duration.
- b) A list and description of each co-morbid condition, with attention to any contraindication which might affect the surgery including all objective measurements.
- c) A detailed account of the Client's clinically supervised weight loss attempt(s), including duration, medical records of attempts, identification of the supervising clinician, and evidence of successful completion and compliance.
- d) A current psychiatric or psychological assessment regarding contraindications for bariatric surgery, as described in 8.300.3.C.4.c(iv)(2).
- e) A statement written or agreed to by the client, detailing for the interdisciplinary team the client's:
 - i) Commitment to lose weight;
 - ii) Expectations of the surgical outcome;
 - iii) Willingness to make permanent life-style changes;
 - iv) Be willing to participate in the long-term postoperative care plan offered by the surgery program, including education and support, diet therapy, behavior modification, and activity/exercise components; and

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- v) If female, client's statement that she is not pregnant or breast-feeding and does not plan to become pregnant within two years of surgery.
- f) A description of the post-surgical follow-up program.
- g) For clients under the age of eighteen, documentation of the physical criteria requirements at 8.300.3.C.4.c(v).

8.300.4 Non-Covered Services

The following services are not covered benefits:

- 1. Inpatient Hospital Services defined as experimental by the United States Food and Drug Administration.
- 2. Inpatient Hospital Services which are not a covered Medicare benefit.
- 3. Court-ordered psychiatric Inpatient care which does not meet the Medical Necessity criteria established for such care by the Department's utilization review vendor or other Department representative.

8.300.5 Payment for Inpatient Hospital Services

8.300.5.A Payments to DRG Hospitals for Inpatient Hospital Services

- 1. Peer Groups

For the purposes of Inpatient reimbursement, DRG Hospitals are assigned to one of the following peer groups. Hospitals which do not fall into the peer groups described in a and b shall default to the peer groups described in c and d based on geographic location.:

- a. Pediatric Hospitals
- ~~b. Urban Safety Net Hospitals~~ need to ensure no other groups are using this designation before removing
- ~~c. Rural Hospitals~~
- d. Urban Hospitals

- 2. Base Payment and Outlier Payment

DRG Hospitals shall be reimbursed for Inpatient Hospital Services based on a system of DRGs and a hospital-specific Medicaid Inpatient base rate. The reimbursement for Inpatient Hospital Services shall be referred to as the DRG base payment.

- a. The DRG base payment shall be equal to the DRG Relative Weight multiplied by the Medicaid Inpatient base rate as calculated in **10 CCR 2505-10 Section 8.300.5.A.3 – 6.**
- b. Outlier days shall be reimbursed at 80% of the DRG per diem rate. The DRG per diem rate shall be the DRG base payment divided by the DRG average length of stay.

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- c. The DRG base payment plus any corresponding outlier payment is considered the full reimbursement for an Inpatient Hospital stay where the client was Medicaid-eligible for the entire stay.
 - d. When a client was not Medicaid-eligible for an entire Inpatient Hospital stay, reimbursement shall be equal to the DRG per diem rate for every eligible day, with payment up to the full DRG base payment. If applicable, the Hospital shall receive outlier reimbursement.
3. Medicaid Inpatient Base Rate for In-network Colorado DRG Hospitals
- a. Calculation of the Starting Point for the Medicaid Inpatient Base Rate
 - i. For in-state Colorado DRG Hospitals, ~~excluding Rehabilitation Hospitals, Long-Term Care Hospitals, CAHs, Pediatric Hospitals, and those Hospitals with less than twenty-one Medicaid discharges in the previous fiscal year,~~ the starting point shall be the hospital-specific Medicare Federal base rate with the specific adjustments listed, minus any DSH factors. The Operating Federal Portion will be added to the Federal Capital Rate adjusted with Wage Index and Geographic Adjustment Factor as appears in the CMS corrected IPPS IMPACT File for each listed hospital. For CAH and Pediatric hospitals, both adjustment factors as listed above will be set to 1.0 and the corresponding labor and non-labor related amounts will be applied since these factors are not available from CMS. Additionally, all non-PPS hospitals are assumed to have submitted Quality Data and be meaningful EHR users. **This is because there is no data available for non-PPS hospitals.** The corrected Medicare base rate IMPACT File shall be used to set the Federal Base Rate and other adjustments detailed above effective on October 1 of the previous fiscal year.
 - ii. **Indirect Medical Education / Proxy Value Based Purchasing Adjustment Factor / Proxy Readmission Adjustment Factor & Hospital Acquired Conditions Reduction:**
 - **For PPS hospitals,** Operating IME% will be multiplied by Adjusted Operating Federal Portion and the Capital IME% will be multiplied by the Adjusted Federal Capital Rate. The Proxy Value Based Purchasing Adjustment Factor and Proxy Readmission Adjustment Factor will be multiplied by the Adjusted Operating Federal Portion. The Hospital Acquired Conditions Reduction will be applied against the Medicare Federal Base Rate w/Wage Index/GAF Adjustments.
 - **For non-PPS hospitals,** Operating & Capital IME % are not calculated in the IMPACT File so the Department's Contractor will **compute their Operating and Capital IME using the most recently available cost report as of Jan 1 in rebasing years** and will require that hospitals have a CMS approved teaching program as detailed in **8.300.5.A.3.b.i-ii**. Hospitals will have the opportunity to review these calculations for a 30-day review period and request changes if necessary. The Proxy Value Based Purchasing Adjustment Factor, Proxy Readmission Adjustment Factor & Hospital Acquired Conditions Reduction will not be applied to non-PPS hospitals since they are not calculated on the IMPACT File.

iii Medicaid Add-ons are as follows and will be applied as a percentage against the Medicare Federal Base Rate w/Wage Index/GAF Adjustments as detailed below.

- **Mutually Exclusive Medicaid Add-ons:** Four Add-ons will be mutually exclusive and applied as described below:
 - 1) Critical Access Hospital (CAH) Add-on will be set at 25% and is only open to those hospitals categorized as CAH by Medicare,
 - 2) Sole Community Hospital (SCH)/Medicare Dependent Hospital (MDH) will be set at 20% and is only open those hospitals categorized as SCH/MDH by Medicare,
 - 3) Low Discharge Add-on based on Total Discharge average of up to three years of most recently available cost reports on HCRIS as of Jan 1 of rebasing years and excludes hospitals that are classified as Pediatric, SCH/MDH or CAH. The percentage add-on is set at 10% and distributed on a sliding scale with a ceiling of 2,500 and floor of 500 discharges, and
 - 4) Pediatric Add-on is open only to hospitals defined as Pediatric in 8.300.1.K.3 and the percentage add-on is set at 25%.
- **Remaining Medicaid Add-ons:** The remaining add-ons are open to all hospitals who qualify and are applied as a percentage of the Medicare Federal Base Rate w/Wage Index/GAF Adjustments and distributed on a sliding scale between the respective ceiling and floor:
 - 1) Payer Mix Add-on is based on the percentage of Medicaid patients treated at the hospital using up to three years of the most recently available cost reports. The add-on is set at up to 10% with a ceiling and floor of 50% and 35% respectively. For hospitals with subunits of Psychiatric and Rehabilitation, Payer Mix in those subunits will be added to the total.
 - 2) Operating Cash Flow Margin Percent Add-on (also known as solvency metric) is set at 20% with a ceiling of 8% and floor of 0%. The source for this data comes from up to an average of 3 years of Hospital Transparency Data (source) and is based on the maximum of the hospital or the hospital system's (identified as Non-Independent Urban Hospital in 8.300.1.K.9) operating cash flow margin percent.

b. Application of GME Cost Add-on to Determine Medicaid Inpatient Base Rate

- i The Medicaid Inpatient base rate shall be equal to the rate as calculated in 10 CCR 2505-10 Sections 8.300.5.A.3.a plus the GME Medicaid hospital-specific cost add-on. The GME Medicaid hospital-specific cost add-on is calculated from the most recently available Medicare/Medicaid cost report (CMS 2552) available as of January 1 of rebasing years. Partial year cost reports shall not be used to calculate the GME cost add-on.

The GME Medicaid hospital-specific cost add-on shall be an estimate of the cost per discharge for Graduate Medical Education (GME) based on:

1. Medicare approved GME program where legitimate GME expenses have been reported in accordance with Medicare's rules detailed in Title 42 Chapter IV Subchapter B Part 413 Subpart F. GME will be calculated when the following two criteria are met:

a. Hospitals that appear on the most recent list as of Jan 1 of CMS qualified teaching hospitals on the CMS Open Payments website or the hospital will need to provide documentation to the State by proving Medicare approval of the GME program.

b. Have countable GME costs in the most recent cost report available as of Jan 1 of rebasing years in worksheet B, part 1 and discharges from worksheet S-3, part I.

ii Ten percent of the GME Medicaid hospital-specific cost add-on shall be applied.

~~i For Pediatric Hospitals, the starting point shall be equal to the cost per Medicaid discharge derived from the most recently audited Medicare/Medicaid cost report (CMS 2552) available as of March 1 for rates effective July 1 of the same calendar year.~~

~~ii For CAHs and those Hospitals with less than twenty one Medicaid discharges in the previous fiscal year, the starting point shall be the average Medicare base rate minus DSH factors for their respective peer group. The average calculation shall exclude CAHs and those Hospitals with less than twenty Medicaid discharges in the previous fiscal year.~~

c. Application of Adjustment Based on General Assembly Funding

- ~~In rebasing years, for all in-state, Colorado DRG Hospitals, excluding Urban Safety Net Hospitals, the starting point for the Medicaid Inpatient base rate, as determined in 10 CCR 2505-10 Section 8.300.5.A.3.a - b, shall be adjusted by an equal percentage. This percentage shall be determined by the Department as required by the available funds appropriated by the General Assembly. Urban Safety Net Hospitals' starting point shall be adjusted by the percentage applied to all other Hospitals plus 10 percent. The percentage applied to Urban Safety Net Hospitals' starting point shall not exceed 100 percent.~~

- In rebasing years, a 10% corridor has been implemented to prevent any hospital's inpatient base rate from increasing or decreasing more than 10% each rebasing year.

~~d. Application of Adjustments for Certain Hospitals~~

~~For Pediatric Hospitals, Rehabilitation Hospitals, and Long Term Care Hospitals, the Medicaid Inpatient base rate shall receive an additional adjustment factor for the specialty care provided. This adjustment factor shall be determined by the Department during the rate setting process.~~

e. Annual Adjustments

The Medicaid Inpatient base rates are rebased every other year as described in 10 CCR 2505-10 Section 8.300.5.A.3.a - b and are effective each July 1. In non-rebasing years, the Medicaid Inpatient base rates will be adjusted by the State Budget Action as set by Legislature and are effective each July 1. The Medicaid base rate shall be adjusted during the fiscal year, if necessary, based on appropriations available to the Department and/or

~~adjustments necessary to balance the DRG payment equation. For fiscal year 21-22, the Medicaid Inpatient Base Rates from fiscal year 20-21 will be adjusted by the percentage change in the budget as appropriated by the General Assembly. For fiscal year 22-23, the Medicaid Inpatient Base Rates from fiscal year 21-22 will be adjusted by the percentage change in the budget as appropriated by the General Assembly.~~

4. Medicaid Inpatient Base Rate for New In-~~State~~ Colorado DRG Hospitals

The Medicaid Inpatient base rate for new in-~~state~~ Colorado DRG Hospitals shall be the average Colorado Medicaid Inpatient base rate for their corresponding peer group. A Hospital is considered "new" until the next Inpatient rate rebasing period after the Hospital's contract effective date. For the next Inpatient rate rebasing period, the Hospital's Medicaid Inpatient base rate shall be equal to the rate as determined in 10 CCR 2505-10 Section ~~8.300.5.A.3~~. If the Hospital does not have a Medicare Inpatient base rate or a full-year audited Medicare/Medicaid cost report to compute a starting point as described in 10 CCR 2505-10 Section ~~8.300.5.A.3~~, their initial rate shall be equal to the average Colorado Medicaid Inpatient base rate for their corresponding peer group.

5. Medicaid Inpatient Base Rate for Border-state Hospitals

The Medicaid Inpatient base rate for border-state Hospitals shall be equal to the average Medicaid Inpatient base rate for the corresponding peer group.

6. Medicaid Inpatient Base Rate for Out-of-~~state~~ Hospitals

- a. The Medicaid Inpatient base rate for out-of- state Hospitals, ~~including out-of- state Hospitals~~, shall be equal to 90% of the average Medicaid Inpatient base rate for the corresponding peer group.

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b. The Department may reimburse an out-of-state Hospital for non-emergent services at an amount higher than the DRG base payment when the needed services are not available in a Colorado Hospital. Reimbursement to the out-of- state Hospital shall be made at a rate mutually agreed upon by the parties involved.

7. Reimbursement for Inpatient Hospital claims that (a) include serious reportable events identified by the Department in the Provider Bulletin with (b) discharge dates on or after October 1, 2009, may be adjusted by the Department.

8.300.5.B Abbreviated Client Stays

1. DRG Hospitals shall receive the DRG base payment and any corresponding outlier payment for Abbreviated Client Stays. The DRG base payment and outlier payment shall be subject to any necessary reduction for ineligible days.

8.300.5.C Transfer Pricing

1. Reimbursement for a client who is transferred from one DRG Hospital to another DRG Hospital is calculated at a DRG per diem rate for each Hospital with payment up to the DRG base payment to each DRG Hospital. If applicable, both Hospitals may receive outlier reimbursement.
2. Reimbursement for a client who is transferred from one DRG Hospital to a Non-DRG Hospital, or the reverse, is calculated at the DRG per diem rate for the DRG Hospital with payment up to the DRG base payment. Reimbursement for the Non-DRG Hospital shall be calculated based on the assigned per diem rate. If applicable, the DRG Hospital may receive outlier reimbursement.
3. For transfers within the DRG Hospital, the Hospital is required to submit one claim for the entire stay, regardless of whether or not the client has been transferred to different parts of the Hospital. Since the Colorado Medicaid program does not recognize distinct part units, Hospitals may not submit two claims for a client who is admitted to the Hospital and then transferred to the distinct part unit or vice versa.

8.300.5.D Long-Acting Reversible Contraceptives Exclusion

1. Long-acting reversible contraceptives (LARC) devices, inserted following a delivery, are excluded from the DRG Relative Weight calculation and are paid according to the Department's fee schedule.

8.300.5.E Payments to Non-DRG Hospitals for Inpatient Services

1. Payments to Psychiatric Hospitals
 - a. The Department shall reimburse Psychiatric Hospitals for inpatient services provided to Medicaid clients on a per diem basis. The per diem rates shall follow a step-down methodology. Each step has a corresponding per diem rate based on historical Medicaid payment rates and evaluation of Hospital data concerning the relationship between Hospital costs and client length of stay. Criteria for each step are described below:
 - i Step 1: Day 1 through Day 7
 - ii Step 2: Day 8 through remainder of care at acute level

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b. Hospital rates may be adjusted annually on July 1 to account for changes in funding by the General Assembly and inflationary adjustments as determined by the Medicare Economic Index.

2. Payment to State-Owned Psychiatric Hospitals

The Department shall reimburse State-Owned Psychiatric Hospitals on an interim basis according to a per diem rate. The Department will determine the per diem rate based on an estimate of 100% of Medicaid costs from the Hospital's Medicare cost report. Periodically, the Department will audit actual costs and may require a cost settlement to insure reimbursement is 100% of actual audited Medicaid costs.

3. Payments to Long-Term Care and Rehabilitation Hospitals (excludes distinct part units and satellite locations as defined under 10 CCR 2505 10 8.300) shall be divided into three (3) subgroups: Long-Term Care Hospital, Rehabilitation Hospital and Spine/Brain Injury Treatment Specialty Hospital.

The Department shall reimburse Long-Term Care, Rehabilitation, and Spine/Brain Injury Treatment Specialist Hospitals for inpatient services provided to Medicaid patients on a per diem basis. The per diem rates shall follow a step-down methodology based on length of stay, with a decrease of five (5) percent with each step. Each step shall be assigned a corresponding per diem rate based on historical Medicaid payment rates and evaluation of Hospital data concerning the relationship between Hospital costs and client length of stay. The Department may adjust hospital rates annually on July 1 to account for changes in funding by the General Assembly. The criteria for each of the steps are described below:

a. Payments to Long-Term Care Hospitals:

- i. Step 1: Day 1 through Day 21
- ii. Step 2: Day 22 through Day 35
- iii. Step 3: Day 36 through Day 56
- iv. Step 4: Day 57 through remainder of stay

b. Payments to Rehabilitation Hospitals:

- i. Step 1: Day 1 through Day 6
- ii. Step 2: Day 7 through Day 10
- iii. Step 3: Day 11 through Day 14
- iv. Step 4: Day 14 through remainder of stay

c. Payments to Spine/Brain Injury Treatment Specialty Hospitals:

- i. Step 1: Day 1 through Day 28
- ii. Step 2: Day 29 through Day 49
- iii. Step 3: Day 50 through Day 77

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- iv. Step 4: Day 78 through remainder of stay
- d. The Classification-specific per diem for 2019, the year of this methodology implementation shall be calculated using the following method:
 - i. The Department shall assign the claims submitted by each hospital for fiscal year 2017 to one of the following peer groups:
 - 1) Long-Term Care Hospital
 - 2) Rehabilitation Hospital
 - 3) Spine/Brain Injury Treatment Specialty Hospital
 - ii. The Department shall process Medicaid inpatient hospital claims from state fiscal year 2017 through the methodology described in Section 8.300.5.D.3 a-c. This will create per diems that are budget neutral to fiscal year 2017.
 - iii. The Department shall adjust the per diems annually to reflect budget changes. For state fiscal year 2018, rates shall be increased 1.4%. For state fiscal year 2019, rates shall be increased 1%. The Department shall adjust rates in subsequent years by the percentage changes in the budget as appropriated by the General Assembly.

8.300.5.E [Emergency rule expired 04/10/2021]

8.300.5.F Payment for Inpatient Subacute Care

- 1. Inpatient Subacute Care days shall be paid at a rate equal to the estimated adjusted State-wide average rate per patient-day paid for services provided in skilled nursing facilities under the State plan approved by the Centers for Medicare and Medicaid Services (CMS), for the State in which such hospital is located.

8.300.5.G Payment for High Acuity In-State Services

- 1. The Department may negotiate a higher reimbursement rate for in-state inpatient hospital services where:
 - a. The in-state inpatient payment methodology insufficiently accounts for the level of acuity;
 - b. All other placement options have been exhausted; and
 - c. The services have been reviewed and authorized by the Medical Director for the Department.

8.300.6 Payments For Outpatient Hospital Services

8.300.6.A Payments to DRG Hospitals for Outpatient Services

1. Payments to In-Network Colorado DRG Hospitals

Excluding items that are reimbursed according to the Department's fee schedule, Outpatient Hospital Services are reimbursed on an interim basis at actual billed charges multiplied by the Medicare cost-to-charge ratio less 28%. When the Department determines that the Medicare cost-to-charge ratio is not representative of a Hospital's Outpatient costs, the cost-to-charge ratio may be calculated using historical data. A periodic cost audit is done and any necessary retrospective adjustment is made to bring reimbursement to the lower of actual audited Medicaid cost less 28% or billed charges less 28%.

Effective September 1, 2009, Outpatient Hospital Services are reimbursed on an interim basis at actual billed charges times the Medicare cost-to-charge ratio less 29.1 percent (29.1%). When the Department determines that the Medicare cost-to-charge ratio is not representative of a hospital's outpatient costs, the cost-to-charge ratio may be calculated using historical data. A periodic cost audit is done and any necessary retrospective adjustment is made to bring reimbursement to the lower of actual audited cost less 29.1 percent (29.1%) or billed charges less 29.1 percent (29.1%).

Effective January 1, 2010, Outpatient Hospital Services are reimbursed on an interim basis at actual billed charges times the Medicare cost-to-charge ratio less 30 percent (30%). When the Department determines that the Medicare cost-to-charge ratio is not representative of a hospital's outpatient costs, the cost-to-charge ratio may be calculated using historical data. A periodic cost audit is done and any necessary retrospective adjustment is made to bring reimbursement to the lower of actual audited cost less 30 percent (30%) or billed charges less 30 percent (30%).

Effective July 1, 2010, Outpatient Hospital Services are reimbursed on an interim basis at actual billed charges times the Medicare cost-to-charge ratio less 30.7 percent (30.7%). When the Department determines that the Medicare cost-to-charge ratio is not representative of a hospital's outpatient costs, the cost-to-charge ratio may be calculated using historical data. A periodic cost audit is done and any necessary retrospective adjustment is made to bring reimbursement to the lower of actual audited cost less 30.7 percent (30.7%) or billed charges less 30.7 percent (30.7%).

Effective July 1, 2011, Outpatient Hospital Services are reimbursed on an interim basis at actual billed charges times the Medicare cost-to-charge ratio less 31.2 percent (31.2%). When the Department determines that the Medicare cost-to-charge ratio is not representative of a hospital's outpatient costs, the cost-to-charge ratio may be calculated using historical data. A periodic cost audit is done and any necessary retrospective adjustment is made to bring reimbursement to the lower of actual audited cost less 31.2 percent (31.2%) or billed charges less 31.2 percent (31.2%).

Effective July 1, 2013, Outpatient Hospital Services are reimbursed on an interim basis at actual billed charges times the Medicare cost-to-charge ratio less 29.8 percent (29.8%). When the Department determines that the Medicare cost-to-charge ratio is not representative of a hospital's outpatient costs, the cost-to-charge ratio may be calculated using historical data. A periodic cost audit is done and any necessary retrospective adjustment is made to bring reimbursement to the lower of actual audited cost less 29.8 percent (29.8%) or billed charges less 29.8 percent (29.8%).

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Effective July 1, 2014, Outpatient Hospital Services are reimbursed on an interim basis at actual billed charges times the Medicare cost-to-charge ratio less 28.4 percent (28.4%). When the Department determines that the Medicare cost-to-charge ratio is not representative of a hospital's outpatient costs, the cost-to-charge ratio may be calculated using historical data. A periodic cost audit is done and any necessary retrospective adjustment is made to bring reimbursement to the lower of actual audited cost less 28.4 percent (28.4%) or billed charges less 28.4 percent (28.4%).

Effective July 1, 2015, Outpatient Hospital Services are reimbursed on an interim basis at actual billed charges times the Medicare cost-to-charge ratio less 28 percent (28%). When the Department determines that the Medicare cost-to-charge ratio is not representative of a hospital's outpatient costs, the cost-to-charge ratio may be calculated using historical data. A periodic cost audit is done and any necessary retrospective adjustment is made to bring reimbursement to the lower of actual audited cost less 28 percent (28%) or billed charges less 28 percent (28%).

Effective October 31, 2016, DRG Hospitals will be reimbursed for Outpatient Hospital Services based on a system of Enhanced Ambulatory Patient Grouping and a Hospital- specific Medicaid Outpatient base rate. The reimbursement for Outpatient Hospital Services shall be referred to as the EAPG Payment.

- a. The EAPG Payment will be equal to the EAPG Weight multiplied by the Hospital- specific Medicaid Outpatient base rate for that hospital as calculated in 10 CCR 2505-10, Section 8.300.6.A.1.k. If the EAPG Weight is modified due to any action impacting payment as described in sections 8.300.6.A.1.d-j, the modified EAPG Weight will be referred to as the EAPG Adjusted Weight. EAPG Payment will then be equal to the EAPG Adjusted Weight multiplied by the Hospital-specific Medicaid Outpatient base rate. If the billed amount is less than the EAPG Payment, reimbursement will be the billed amount.
- b. The EAPG Payment is calculated for each detail on the claim. Claim details with the same dates of service are grouped into a visit. Claims containing details describing charges for emergency room, treatment room services or patients placed under observation will have all its details grouped into a single visit.
- c. Each detail on a claim is assigned an EAPG. EAPGs can have the following types:
 - (1) Per Diem
 - (2) Significant Procedure. Subtypes of Significant Procedures Are:
 - (a) General Significant Procedures
 - (b) Physical Therapy and Rehabilitation
 - (c) Behavioral Health and Counseling
 - (d) Dental Procedure
 - (e) Radiologic Procedure
 - (f) Diagnostic or Therapeutic Significant Procedure
 - (3) Medical Visit

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- (4) Ancillary
 - (5) Incidental
 - (6) Drug
 - (7) Durable Medical Equipment
 - (8) Unassigned
- d. A detail will be subject to EAPG Consolidation when it is assigned the same Significant Procedure EAPG as a detail not already subjected to EAPG Consolidation for that visit. EAPG Consolidation will also occur for details assigned EAPGs considered to be clinically similar to another EAPG during the visit. Details subject to EAPG Consolidation will have an EAPG Payment calculated using an EAPG Weight of 0.
- e. A detail will be subject to EAPG Packaging when its assigned EAPG is considered an ancillary service to a Significant Procedure EAPG or Medical Visit EAPG present on the claim for that visit. Details describing additional undifferentiated medical visits and services will be exempt from EAPG Packaging. A detail is also subject to EAPG Packaging when it is assigned a Medical Visit EAPG while a Significant Procedure EAPG is present on the claim for that visit. Details assigned Significant Procedure EAPGs that are not General Significant Procedures do not cause details with Medical Visit EAPGs to be subject to EAPG Packaging. Details subject to EAPG Packaging will be calculated using an EAPG Weight of 0.
- f. A detail will qualify for Multiple Significant Procedure Discounting when a Significant Procedure of the same subtype is present on the claim for that visit. Details qualifying for Multiple Significant Procedure Discounting are ordered by their EAPG Weight, by visit. Per visit, the qualifying detail with the greatest EAPG Weight will have its EAPG Payment calculated at 100 percent (100%) of its EAPG Weight. The qualifying detail for that visit with the next greatest EAPG Weight will have its EAPG Payment calculated at 50 percent (50%) of its EAPG Weight. All other qualifying details for that visit will have its EAPG Payment calculated at 25 percent (25%) of its EAPG Weight.
- g. Details assigned the same Ancillary EAPG on the same visit will qualify for Repeat Ancillary Discounting. EAPG Payment for the first occurrence of a detail qualifying for Repeat Ancillary Discounting for that visit and EAPG is calculated using 100 percent (100%) of its EAPG Weight. EAPG Payment for the second occurrence of a detail qualifying for Repeat Ancillary Discounting for that visit and EAPG is calculated using 50 percent (50%) of its EAPG Weight. EAPG Payment for all other details qualifying for Repeat Ancillary Discounting for that visit and EAPG will be calculated using 25 percent (25%) of their EAPG Weights.
- h. Details describing terminated procedures will be subject to Terminated Procedure Discounting. EAPG Payment for a detail subject to Terminated Procedure Discounting is calculated using 50 percent (50%) of the EAPG Weight. Terminated procedures are not subject to other types of discounting.
- i. Details describing bilateral services will have EAPG Payment calculated using 150 percent (150%) of the EAPG Weight or the EAPG Payment not resulting from Terminated Procedure Discounting.

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- j. Details describing 340B Drugs will have an EAPG Payment calculated using 80 percent (80%) of the EAPG Weight or the EAPG Payment not resulting from Terminated Procedure Discounting.
- k. The Hospital-specific Medicaid Outpatient base rate for January 1, 2022 for each hospital is calculated using the following method.
 - (1) Assign each hospital to one of the following groups based on hospital type and location:
 - (a) Pediatric Hospitals
 - (b) Critical Access Hospitals
 - (c) Non-Critical Access, System Hospitals
 - (d) Independent Hospitals
 - (e) Rehabilitation, Long-term Acute Care, and Brain/Spine Injury Hospitals
 - (2) Rehabilitation, Long-term Acute Care, and Brain/Spine Injury Hospitals are assigned their same hospital-specific base rate as effective immediately prior to January 1, 2022.
 - (3) Process Medicaid outpatient hospital claims from calendar year 2019 through the methodology described in 8.300.6.A.1.a-j using 3M's EAPG Relative Weights, scaled for budget neutrality purposes, and version 3.16 of the Enhanced Ambulatory Patient Grouping methodology. Hospital payment rates from version 3.10 of the methodology are then compared to the version 3.16 payment rates using the hospital-specific base rates immediately prior to January 1, 2022.
 - (4) For Critical Access Hospitals, a weighted average base rate by outpatient hospital visit is calculated EAPG payments for Critical Access Hospitals under version 3.10 and 3.16 are calculated using this weighted average base rate, then an inflation factor is applied to determine a revenue neutral rate for the Critical Access Hospital group. This inflation factor is then applied to all Critical Access Hospital rates effective immediately prior to January 1, 2022. For all other hospitals, with the exception of Rehabilitation, Long-term Acute Care, and Spine/Brain Injury Hospitals, a revenue neutral rate is calculated which aligns payment under version 3.16 of EAPGs to payments calculated under version 3.10.

(5) For Critical Access Hospitals, the average and standard deviation of their rates with the inflation factor applied is calculated. All Critical Access Hospitals with a rate falling below 1 standard deviation of the average is given a rate at 1 standard deviation below the average. For Critical Access Hospitals with a rate above 2 standard deviations of the average is given a rate at 2 standard deviations above the average. For each other hospital group, except Rehabilitation, Long-term Acute Care, and Spine/Brain Injury Hospitals, the average and standard deviation of their rates are calculated. For hospitals that have a rate below 1.5 standard deviations of the average rate of their assigned group, the hospital is assigned a rate at 1.5 standard deviations below the group's average rate. For hospitals that have a rate above 1.5 standard deviations of the average rate of their assigned group, the hospital is assigned a rate at 1.5 standard deviations above the group's average rate.

(6) For all hospitals, the Medicaid Outpatient base rate, as determined in 8.300.6.A.k.(1)-(4), shall be adjusted by an equal percentage, when required due to changes in the available funds appropriated by the General Assembly. The application of this change to the Medicaid Outpatient base rate shall be determined by the Department.

I. Effective June 1, 2020, by the modification of the EAPG Weights, the allowed reimbursement of outpatient hospital drugs shall be increased by 42.93% for drugs provided at Critical Access Hospitals and Medicare Dependent Hospitals, and decreased by 3.47% for drugs provided at non-independent urban hospitals.

2. Payments to Out-of-Network DRG Hospitals

Excluding items that are reimbursed according to the Department's fee schedule, border-state Hospitals and out-of-network Hospitals, including out-of-state Hospitals, shall be paid 30% of billed charges for Outpatient Hospital Services. Consideration of additional reimbursement shall be made on a case-by-case basis in accordance with supporting documentation submitted by the Hospital.

Effective October 31, 2016, Out-of-Network DRG Hospitals will be reimbursed for Outpatient Hospital Services based the system of Enhanced Ambulatory Patient Grouping described in 10 CCR 2505-10 Section 8.300.6.A.1. Such hospitals will be assigned to a Rural or Urban peer group depending on hospital location and will receive a base rate of 90% of the respective peer group base rate as calculated in 8.300.6.A.1.k.(3). Out-of-Network DRG Hospitals will periodically have their Medicaid Outpatient base rates adjusted as determined in 8.300.6.A.k.(5).

3. Payments for Outpatient Hospital Specialty Drugs

Effective August 11, 2018, for services meeting the criteria of an Outpatient Hospital Specialty Drug that would have otherwise been compensated through the EAPG methodology, a hospital must submit a request for authorization to the Department prior to administration of the drug. If the request is approved, then the payment will be negotiated between the Department and the hospital on a case-by-case basis.

4. Payments for Select Outpatient Hospital Opioid Antagonist Drugs

Pursuant to C.R.S. § 25.5-5-509, effective July 8, 2022, payments for select Outpatient Hospital Opioid Antagonist Drugs that would have otherwise been compensated through the EAPG methodology will be reimbursed at either the lower of the billed charges or the fee schedule rate.

8.300.7 Graduate Medical Education (GME) Payments to Hospitals for Medicaid Managed Care

GME costs for Medicaid managed care clients shall be paid directly to qualifying Hospitals rather than to managed care organizations (MCOs).

8.300.7.A GME for Medicaid Managed Care – Inpatient Services

1. The Hospital cost report used for the most recent rebasing shall be used to determine the Medicaid Inpatient GME cost per day for each Hospital that has GME costs in its fee-for-service base rate, excluding State University Teaching Hospitals. Each Hospital's GME cost per day shall be computed when Hospital rates are rebased according to the schedule outlined in **8.300.5.A.3.e**. Years when rates are updated with the State Budget Action as set by Legislature, GME cost per day will remain unchanged from the cost report rebasing.
2. MCOs shall provide to the Department Inpatient days by Hospital for discharges (net of adjustments) during each quarter of the calendar year. This information shall be provided within 120 days after the close of each calendar year quarter.
3. The Medicaid managed care Inpatient days for each Hospital shall be the total of the Inpatient days for each Hospital received from the MCOs for each quarter. That total shall be multiplied by the GME cost per day to determine the Inpatient GME reimbursement for each Hospital per quarter. The GME reimbursement will be paid at least annually through a gross adjustment process to each Hospital by June 30th of each year.

8.300.7.B GME for Medicaid Managed Care – Outpatient Services

1. The Hospital cost report used for the most recent rebasing shall be used to determine the Outpatient GME cost-to-charge ratio for each Hospital that has a graduate medical education program. Each Hospital's GME cost-to-charge ratio shall be computed when Hospital rates are rebased according to the schedule outlined in **8.300.5.A.3.e**. Years when rates are updated with the State Budget Action as set by Legislature, GME cost-to-charge ratio will remain unchanged from the cost report rebasing.
2. MCOs shall provide to the Department Outpatient charges for Medicaid clients by Hospital for Outpatient dates of service during each quarter of the calendar year. This information shall be provided within 120 days after the close of each calendar year quarter.
3. The Medicaid managed care Outpatient charges for each Hospital shall be the total of the Outpatient charges for each Hospital received from the MCOs for each quarter. That total shall be multiplied by the cost-to-charge ratio and reduced by 28 percent to determine the Outpatient GME reimbursement for each Hospital per quarter. The GME reimbursement shall be paid at least annually through a gross adjustment process to each Hospital by June 30th of each year.