



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

1570 Grant Street  
Denver, CO 80203

November 15, 2022

The Honorable Julie McCluskie, Chair  
Joint Budget Committee  
200 East 14<sup>th</sup> Avenue, Third Floor  
Denver, CO 80203

Dear Representative McCluskie:

Enclosed please find the Department of Health Care Policy & Financing's action plan to the Joint Budget Committee on Medicaid behavioral health reimbursement rates as directed by 25.5-1-132(2) C.R.S.

*Pursuant to Section 25.5-1-132(2), C.R.S. requires that on or before November 15, 2022, the Department present an action plan for implementation to the Joint Budget Committee of steps it will take to reach the recommendations outlined in its HB22-1268 Behavioral Health Provider Rate Comparison Report from August 2022. The State Department shall produce a progress report on the State Department's progress made in implementing the action plan presented to the Joint Budget Committee on November 15, 2022 on or before August 1, 2023 and annually thereafter through August 1, 2025. The Department must fully implement the action plan no later than December 31, 2025.*

The action plan details the Department's efforts, in collaboration with other state agencies, to update provider definitions and responsibilities, improve transparency, and increase accountability. This includes better defining the safety net, increasing the availability for providers to engage in safety net services, and updated funding mechanisms for safety net services.

If you require further information or have additional questions, please contact the Department's Legislative Liaison, Jo Donlin, at [Jo.Donlin@state.co.us](mailto:Jo.Donlin@state.co.us) or 720-610-7795.

Sincerely,

A handwritten signature in black ink, appearing to read 'K. Box'.



Kim Bimestefer  
Executive Director

Enclosure(s): HCPF Action Plan on Behavioral Health Reimbursement Rates as Directed by  
25.5-1-132(2) C.R.S.

Cc: Senator Chris Hansen, Vice-chair, Joint Budget Committee  
Representative Leslie Herod, Joint Budget Committee  
Senator Bob Rankin, Joint Budget Committee  
Representative Kim Ransom, Joint Budget Committee  
Senator Rachel Zenzinger, Joint Budget Committee  
Carolyn Kampman, Staff Director, JBC  
Robin Smart, JBC Analyst  
Lauren Larson, Director, Office of State Planning and Budgeting  
Noah Strayer, Budget Analyst, Office of State Planning and Budgeting  
Legislative Council Library  
State Library  
Cristen Bates, Medicaid and CHP+ Behavioral Health Initiatives and Coverage Office,  
HCPF  
Ralph Choate, Medicaid Operations Office Director, HCPF  
Charlotte Crist, Cost Control & Quality Improvement Office Director, HCPF  
Adela Flores-Brennan, Medicaid Director, HCPF  
Thomas Leahey, Pharmacy Office Director, HCPF  
Tom Massey, Policy, Communications, and Administration Office Director, HCPF  
Bettina Schneider, Finance Office Director, HCPF  
Bonnie Silva, Office of Community Living Director, HCPF  
Parrish Steinbrecher, Health Information Office Director, HCPF  
Rachel Reiter, External Relations Division Director, HCPF  
Jo Donlin, Legislative Liaison, HCPF



# HB 22-1268 Action Plan

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Nov. 15, 2022

Submitted to: The Joint Budget Committee



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Department of Health Care  
Policy & Financing

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## I. Introduction

In accordance with HB 22-1268, the Department of Health Care Policy & Financing (the Department, or HCPF) published the [Behavioral Health Provider Rate Comparison Report](#) and submitted it to the Colorado General Assembly<sup>1</sup>. The report includes recommendations to address payment variations and methodologies across different provider types for behavioral health services. In addition, HB22-1268 also directed the Department to create an action plan to implement the recommendations presented in the report. This action plan meets the requirement and outlines steps the Department will take to improve the behavioral health payment processes by implementing the report's recommendations.

The Department agrees the state's behavioral health system needs to be transformed. Accordingly, Department leaders and subject matter experts have actively and passionately participated in all aspects of transformation planning, including the original Behavioral Health Task Force directed by Governor Polis which crafted the Behavioral Health Blueprint for Change in 2019 and the Behavioral Health Transformational Task Force which created the Behavioral Health Recommendations Report. The Department continues to work statewide, across agencies, and with stakeholders to implement transformative changes to the betterment of the one in four Coloradans we serve. In the last three years, HCPF significantly increased the number of behavioral health providers enrolled in Medicaid, increased behavioral health provider reimbursement rates, increased Medicaid behavioral health budget investment from \$600 million in SFY 2018-19 to over \$1 billion annually in the current fiscal year. We greatly appreciate the Joint Budget Committee's partnership in making these critical investments necessary to achieve our shared goals.

The continuing expansion of HCPF's Medicaid behavioral health network over the last year reflects the success of increases to the provider reimbursement rates during challenging times, especially important given the growing shortages in the health care workforce. To ensure access to care, providers of behavioral health services, including substance use disorder (SUD), must receive payments that support delivery of care in all areas of Colorado. As such, the delivery of comparable services should

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<sup>1</sup> [https://hcpf.colorado.gov/sites/hcpf/files/HB 22-1268 Report.pdf](https://hcpf.colorado.gov/sites/hcpf/files/HB_22-1268_Report.pdf)

receive equitable payment, given the contractual requirements associated with the various provider types. Based on the analysis presented in the Aug. 15, 2022 report, and to address issues related to discrepancies in rates between community mental health center providers and the independent provider network, the Department presented the following five recommendations:

1. Update rates and service definitions to align with new provider definitions and improve payment models and reporting accuracy.
2. Evaluate appropriate payment methodologies as viable alternatives to the Relative Value Unit payment model.
3. Continue improvement for safety net cost reports.
4. Expand value-based payment models to larger groups of providers.
5. Continue to analyze and periodically post publicly, rate review and analysis on behavioral health rates, to show changes over time.

The Department is completing the action items outlined below to implement the report's recommendations for improving the behavioral health rate structure. This report further includes the estimated timeline for each action item, the responsible parties, and any possible dependencies.

## II. Action Steps

### 1. Update rates and service definitions to align with new provider definitions and improve payment models and reporting accuracy

#### New Safety Net Provider Definitions

- Responsible Entities: Behavioral Health Administration (BHA) in collaboration with HCPF
- Dependencies: None
- Status: In Progress, initial rule-making process complete July 1, 2023, continuing through July 1, 2025

The Department is collaborating with the BHA to implement and respond to the new safety net services provider definitions created in HB 22-1278. This work includes creating new Medicaid provider types in claim processing and data IT systems to align with the new statutory definitions and aligning payments with licensing requirements

for providers. **These new definitions allow the Department to better track spending through cost reports, create more accurate budgets, and increase the number of providers eligible for higher safety net rates.**

This is part of the state’s collaborative effort to support the state behavioral health safety network, as introduced in SB 19-222, and the subsequent report to strengthen and expand the safety net. These new definitions of safety net services providers include high level criteria for providers interested in becoming safety net providers, including two levels of safety net providers. The Department anticipates the two new definitions will increase the number of providers who can be part of the safety net system in all parts of the state. The impacts of this bill have already begun and will be fully implemented by July 1, 2025.

The two new behavioral health provider types will be:

- Comprehensive Safety Net Providers (CSNP)
- Essential Safety Net Providers (ESNP)

The new statute also clarifies that Federally Qualified Health Centers are behavioral health safety net providers. The BHA will be revising, amending, or repealing their provider standards, and other regulations, based on these statutory changes. The first set of new rules will be effective July 1, 2023.

The statutory change will encourage greater participation, especially by independent providers, in the behavioral health safety net. In addition, the ESNP category will allow smaller and medium sized safety net providers to access safety net funding.

### **New and Updated Service Definitions**

- Responsible Entity: Health Care Policy & Financing
- Dependencies: None
- Status: In progress with new service definitions starting July 1, 2023

In addition to new statutory and regulatory definitions, the Department is creating new service definitions for crisis services and secure transport. The Department is also updating the service definition for Mobile Crisis services as part of an expansion of the crisis services within the safety net system. This expansion of service definitions and provider types will better align the payment models with actual crisis

services being provided within the community. The Department anticipates an increase in provider engagement within the crisis services. This change aligns with plans for continued integration between the Department and the BHA, including the development of more integrated system technologies. **Updating the provider and services definitions for crisis will increase total available crisis funding by expanding federal match dollars and increasing the services that can be billed for directly, rather than rolled up into the total cost rates.** Direct billing and value-based payments support more equitable and accurate payments to providers.

## 2. Evaluate appropriate payment methodologies as viable alternatives to the Relative Value Unit payment model

### Evaluate Relative Value Weights

- Responsible Entity: HCPF in collaboration with the BHA
- Dependencies: None
- Status: In progress, to be completed by March 31, 2023

The Department has engaged with an outside vendor to evaluate the role of the Relative Value weights associated to service codes in the cost report. The Relative Value weights and the associated Relative Value Units (RVUs) play an integral part in the calculation of safety net rates based on cost reporting. For more background information, please see the [Appendix D of the Behavioral Health Rates Report](#).

Through robust stakeholder engagement with Community Mental Health Centers (CMHCs), Independent Provider Network (IPN) groups, Regional Accountable Entities (RAEs), and the BHA, the Department and its vendor are evaluating if the RVU weights can be rebalanced to reduce inappropriate weighting in the cost reports and therefore reduce disparities in rates. **The outcome of this evaluation, to be completed by March 31, 2023, may result in better balanced weighting and a reduction of skewing within behavioral health safety net rates.** Any changes to the weighting deemed necessary will be implemented in summer 2023.

## 3. Continue improvement for safety net cost reports



## Create Updated Reporting Requirements for Safety Net Providers

- Responsible Entities: Behavioral Health Administration in collaboration with HCPF
- Dependencies: Completion of universal contracting provisions pursuant to HB 22-1278
- Status: In Progress, initial discussions between BHA and HCPF have begun

The BHA, working with the Department, is updating reporting requirements for new safety net providers under the BHA. This includes requirements for cost reporting, financial reporting, submission of claims, and appropriate licensing.

To increase diligence on cost-based rate setting, HCPF released new cost report templates for the safety net providers in May 2022. Those cost reports must be completed by the CMHCs by November 2022. The cost reports and the rate reviews will be posted publicly by March 15, 2023. The Department intends to continue to refine the cost reporting requirements for the safety net providers. **More accurate cost reports create more accurate, accountable, and equitable payments.**

## Stakeholder Engagement for Cost Reports

- Responsible Entity: HCPF in collaboration with the BHA
- Dependencies: None
- Status: In progress with continued improvement plans

The Department and the BHA continue to work closely with a multi-stakeholder group to update the safety net cost reporting requirements, as well as the Auditing and Accounting (A&A) guidelines associated with cost reports. This includes adding clarity and better defining “reasonable” with regards to costs. Under HB 22-1278, the definition of the A&A guidelines committee is being expanded to include more external stakeholders including providers and advocates. This stakeholder engagement was used to inform the updated cost reports released May 2022. Additional stakeholder engagement and the expanded A&A guidelines committee engagement will be implemented by March 31, 2023. **The addition of external stakeholders ensures that the cost reporting structure of the safety net providers is robust, effective and transparent.**

## 4. Expand value-based payment models to larger groups of providers

### Explore Alternative Payment Methodologies

- Responsible Entity: HCPF in collaboration with the BHA
- Dependencies: None
- Status: Initial work in progress, additional work forthcoming

HCPF is working with stakeholders and the BHA to develop new reimbursement methodologies for safety net providers that create greater accountability to the community and reward member outcomes. Specifically, the new Alternative Payment Models (APMs) will create sufficient flexibility for providers to meet the needs of the community and members, while the value-based payments (VBP) will better correlate reimbursements with results. The specifics are under development; however, the Department has started modeling different payment methodologies using previous utilization to help inform the development of an initial APM. While these payments will evolve on an iterative basis, the initial APM is anticipated to be effective July 1, 2024, and may require CMS approval for Directed Payments. The Department will draft a plan with the RAEs and providers for implementation of VBP by July 2023.

With the addition of the new safety net provider classification for small and medium providers, the Department and the BHA will work together to evaluate additional payment methodologies that do not rely on cost reports. **The Department expects that these Essential and Comprehensive Safety Net Providers will better engage in the provision of safety net services with limited additional administrative burden, in order to gain access to the higher safety net reimbursement rates for comparable services.** Work on these additional payment models is expected to begin in fall 2023.

### Support Safety Net Providers Under New Payment Models

- Responsible Entity: HCPF
- Dependencies: Implementation of updated payment models
- Status: In planning, with initial funding secured

For new safety net providers, the Department will provide additional support to ensure ease of transition and understanding of reporting requirements. This includes

vendor support for the cost reporting requirements for the comprehensive safety net providers. This is in addition to the already standardized Department training and resources available. The Department has already begun contracting for these additional support services. The Department will also be contracting for additional cost report training to begin in spring/summer 2023. **Many small and medium sized providers will benefit if they choose to become a safety net provider, because of the higher reimbursement rates and access to APMs and VBPs.**

### **Apply for Directed Payment Authority**

- Responsible Entity: HCPF
- Dependencies: None
- Status: In planning, application anticipated late 2022 or early 2023

To launch new Alternative Payment Models and value-based payments, the Department may need additional federal approval. Specifically, the Department may need approval for Directed Payments, an allowance for the Department to direct its managed care entities on how to pay for services under very specific rules. The Department is beginning discussions with the Centers for Medicare and Medicaid Services (CMS) to understand the requirements for such authority. The intended outcome is that the Department will be ready with Directed Payment authority when required for new payment models. **Directed Payments, when approved by CMS, can be used to create more standard and more consistent payments and processes across the managed care entities like the RAEs.**

**5. Continue to analyze and periodically post publicly rate review and analysis on behavioral health rates, to show changes over time.**

### **Compare IPN Rates to Commercial Insurers**

- Responsible Entity: HCPF in collaboration with the Division of Insurance
- Dependencies: Availability and viability of commercial rates for comparison
- Status: Expected start date 2023

The Department is engaging with the Division of Insurance (DOI) to compare the Medicaid Independent Provider Network (IPN) reimbursement rates with those paid by commercial insurance plans. The Behavioral Health Provider Rate Comparison Report

found that the IPN reimbursement rates were not readily comparable to safety net providers as noted in the August 2022 Rates Report. A better - more apples to apples - comparison would be to see how Medicaid rates compare to those of commercial insurers. This requires work and collaboration with DOI. **New insights may inform and support Medicaid behavioral health rate setting targets and opportunities for the IPN, or it may inform the DOI as to commercial reimbursement opportunities.**

### **Compare SUD Rates to Commercial Insurers**

- Responsible Entity: HCPF in collaboration with the Division of Insurance
- Dependencies: Availability and viability of commercial rates for comparison
- Status: Expected start date 2023

The Department is engaging with the Division of Insurance (DOI) to compare the substance use disorder (SUD) reimbursement rates with those paid by commercial insurance plans. The Behavioral Health Provider Rate Comparison Report was unable to directly separate out and compare SUD rates due to restrictions on data. The Department intends to compare the paid Medicaid SUD reimbursement rates with rates paid by commercial insurers. This requires work and collaboration with DOI and is contingent upon compliance with SUD reporting rules. **New insights will inform and support Medicaid behavioral health rate setting targets and opportunities for SUD providers, or it may inform the DOI as to commercial reimbursement opportunities.**

### **Post Action Plan and Cost Reports**

- Responsible Entity: HCPF
- Dependencies: None
- Status: Action Plan and Cost Reports posted by March 15, 2023

The Department will post any subsequent updates to this action plan on its website. In addition, in compliance with HB 22-1268, the Department will post the safety net cost reports. For better transparency and educational purposes, the Department also will post graphics and companion documents to aid readers in understanding the cost report information.