

Schedule 13

Department of Health Care Policy and Financing

Funding Request for The FY 2019-20 Budget Cycle

Request Title

R-11 All-Payer Claims Database Financing

Dept. Approval By:


11/1/18

Supplemental FY 2018-19

OSPB Approval By:



Budget Amendment FY 2019-20

X

Change Request FY 2019-20

Summary Information	FY 2018-19		FY 2019-20		FY 2020-21	
	Fund	Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total of All Line Items Impacted by Change Request	Total	\$2,050,000	\$0	\$2,050,000	\$2,619,731	\$2,755,153
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$1,025,000	\$0	\$1,025,000	\$2,811,464	\$2,946,886
	CF	\$0	\$0	\$0	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$1,025,000	\$0	\$1,025,000	(\$191,733)	(\$191,733)

Line Item Information	FY 2018-19		FY 2019-20		FY 2020-21	
	Fund	Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
01. Executive Director's Office, (C) Information Technology Contracts and Projects, (1) Information Technology Contracts and Projects - All Payer Claims Database, Medicaid Share of APCD	Total	\$2,050,000	\$0	\$2,050,000	\$2,619,731	\$2,755,153
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	\$1,025,000	\$0	\$1,025,000	\$2,811,464	\$2,946,886
	CF	\$0	\$0	\$0	\$0	\$0
	RF	\$0	\$0	\$0	\$0	\$0
	FF	\$1,025,000	\$0	\$1,025,000	(\$191,733)	(\$191,733)

Auxiliary Data

Requires Legislation? NO

Type of Request?	Department of Health Care Policy and Financing Prioritized Request	Interagency Approval or Related Schedule 13s:	No Other Agency Impact
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COLORADO

Department of Health Care Policy & Financing

Priority: R-11

All-Payer Claims Database Financing
FY 2019-20 Change Request

Cost and FTE

- The Department requests \$2,619,731 total funds, including \$2,811,464 General Fund in FY 2019-20 and \$2,755,153 total funds, including \$2,946,886 General Fund in FY 2020-21 and ongoing in order to fully fund the All-Payer Claims Database (APCD) using a combination of Medicaid and state-only funding.

Current Program

- The APCD collects claims data from over 21 commercial health insurance companies and builds a more comprehensive picture of health care in Colorado. The APCD takes claims data and turns it into actionable information that provides insights about Coloradans' health, quality of care, utilization, outcomes and cost.
- The Center for Improving Value in Health Care (CIVHC) administers the APCD on behalf of the Department and works closely with an advisory committee to make sure the APCD meets statutory milestones.
- The Department received \$2,050,000 total funds, including \$1,025,000 General Fund, in FY 2018-19 and ongoing through HB 18-1327 "All-Payer Health Claims Database" in order to allocate a portion of APCD costs associated with Medicaid claims in the database to the Department.

Problem or Opportunity

- The All-Payer Claims Database (APCD) remains at risk of discontinuing due to the lack of a consistent, long-term funding source. Grant funding previously used to support the APCD has expired, and Medicaid funding can only be used for a portion of the costs.
- The funding appropriated in HB 18-1327 was calculated using the assumption that the Department would be able to allocate costs based on a different methodology than the federal Centers for Medicare and Medicaid Services (CMS) is willing to approve. The revised percentage is much lower and creates a gap in funding between the appropriation and anticipated amount that can be matched with federal funds.

Consequences of Problem

- Since the State does not provide full funding for the APCD, CIVHC must focus most of its attention on funding the APCD by marketing the use of the database, selling data, and doing analytical projects that marginally benefit the State. This crowds out funding to improve the quality of the data and provide more robust insights based on analysis of the data.
- The price of the data is an obstacle for accessing it, which diminishes the value of maintaining it.
- If CIVHC and the State cannot generate enough revenue to sustain the APCD, the database would cease to be operational and the data would be destroyed or returned to its original source, per section 25.5-1-204(11), C.R.S.

Proposed Solution

- The Department requests additional funding to offset the costs of using a new, lower percentage to allocate costs to Medicaid and to fully fund the remaining costs of operating the APCD with state-only funding.
- Because the State would be making a significant investment in the APCD, it would have greater control over how those funds are used to ensure it is providing the most benefit to the State.
- The increased State funding would allow CIVHC to focus on increasing the quality of data in the APCD and related data releases, including the usability of the data by recipients and timelines standards for reports and data releases.



COLORADO

Department of Health Care Policy & Financing

FY 2019-20 Funding Request | November 1, 2018

John W. Hickenlooper
Governor

Kim Bimestefer
Executive Director

Department Priority: R-11

Request Detail: All-Payer Claims Database Financing

Summary of Incremental Funding Change for FY 2019-20	Total Funds	General Fund
All-Payer Claims Database Financing	\$2,619,731	\$2,811,464

Problem or Opportunity:

The All-Payer Claims Database (APCD) remains at risk of discontinuing operations due to the lack of a consistent, long-term funding source. Grant funding previously used to support the APCD has expired, and Medicaid funding can only be used for a portion of the costs, per the Department's cost allocation agreement with the Centers for Medicare and Medicaid Services (CMS). The State has an opportunity to invest in this valuable resource by fully funding the operations of the APCD, thereby safeguarding the sustainability of the database and enabling it to become more accessible to stakeholders across Colorado. It would also allow the State to exercise more direction over how the state funds are utilized to ensure it is providing the most benefit to the State.

APCD Background

The APCD is a comprehensive claims database that includes claims from Medicaid, Medicare, and over 21 commercial health insurance companies. Claims data includes information about location of service, cost of service, diagnosis, and type of service across all insurance providers. The claims database provides the most complete picture of health care in Colorado, and crucial information on the costs associated with it.

State agencies have been using APCD data to improve health care in Colorado since 2013. For example, the Department uses APCD data internally to study access to care and services between Medicaid and other coverage groups, such as commercial insurance and Medicare. This analysis shows provider participation in Medicaid and other coverage groups by county, region, and health statistic region, and will soon also include provider participation by provider specialty. It highlights where there is an access to care issue within Medicaid, which can lead to policy changes, enhanced provider outreach for Medicaid participation, and ultimately better access to care for Medicaid members.

The Division of Insurance has used the APCD for many of its recent studies, including the following:

- Colorado Health Cost Trend Study¹ – Reviewed trends and health care costs in the commercial non-Medicare and non-Medicaid population. Analysis is valuable in the trend review of health coverage rate filings. APCD data has also been used to determine acceptable population risk morbidity, cost trend, and utilization factors that are applied to allowed claims used in rate filings.
- Colorado Pharmacy Cost Study – Reviewed the cost associated with specialty and traditional drugs for the commercial insured non-Medicare and non-Medicaid population, with an emphasis on unit cost, utilization, total cost, and pharmacy trends.
- Colorado Total Health Cost and Geographic Areas 2016 Study² – Evaluated the appropriateness of the nine (9) geographic rating areas that are currently in effect for the Affordable Care Act plans and the impact of moving to one rating area for the state. Analyzed regional costs, determined cost drivers, and examined the appropriateness of area rating factors used by insurance carriers.

Some of the non-state data requestors have used the data to:

- Improve outcomes for vulnerable patients
- Lower costs for procedures
- Improve reimbursements and increase access to care
- Evaluate the effectiveness of policy changes

Current Financing of the APCD

HB 18-1327 “All-payer Health Claims Database” authorized the General Assembly to pay for expenses related to the APCD with General Fund appropriations. The Department was appropriated \$2,050,000 total funds to pay for the anticipated Medicaid share of the costs. This was calculated using the assumption that the Department would be able to allocate costs based on the percentage of lives covered by Medicaid in the APCD. CMS did not approve this methodology. Instead, the Department and CMS are negotiating to allocate costs based on the total lives covered by Medicaid divided by the total covered lives in Colorado, regardless of whether the covered lives are contained in the APCD. The revised percentage is much lower and creates a gap in funding between the appropriation and anticipated amount that can be matched with federal funds. The Department anticipates it will be able to allocate about \$1.67 million of expenses to Medicaid based on this methodology.

The APCD is administered by the Center for Improving Value in Health Care (CIVHC), a not-for-profit organization. For FY 2018-19, CIVHC’s budget for APCD-related expenses is about \$4.5 million, which is projected to increase over time with inflation. This leaves a gap of funding that cannot be allocated to Medicaid. Since it does not have a long-term funding source to cover these costs, CIVHC must focus most of its attention on funding the APCD by marketing the use of the database, selling data, and doing analytical projects that marginally benefit the state. This crowds out funding to improve the quality of the data and provide more robust insights based on analysis of the data. The price of the data is also an obstacle for

¹ <https://drive.google.com/drive/folders/0BwgXutc4vbpaAtb3hCYndIZ1k>

² <https://drive.google.com/drive/folders/0BwgXutc4vbpZjg5a2hPUW0tbjg>

accessing it, which diminishes the value of maintaining it. If CIVHC is unable to generate funds to cover its costs, the APCD would be discontinued and no longer available as a resource to the State.

APCD Administration

Currently, there is no formal structure for the State to provide direction to CIVHC on strategic planning, budgeting, and setting standards for reporting and data quality. Funding the APCD would provide the State with the opportunity to exercise control over how those funds are spent. By setting up a new governance structure, the State would have a more active role in making decisions and could ensure it is providing the most benefit to the State.

Proposed Solution:

The Department requests \$2,619,731 total funds, including \$2,811,464 General Fund in FY 2019-20 and \$2,755,153 total funds, including \$2,946,886 General Fund in FY 2020-21 and future years in order to fully fund the APCD using a combination of Medicaid and state-only funding. The requested funding would be used to offset the costs of using a new, lower percentage to allocate costs to Medicaid and to fully fund the remaining costs of operating the APCD with state-only funding.

Because the State would be making a significant investment in the APCD, the Department would exert greater control through a new governance structure over how those funds are used. The Department would use its current contracting authority with CIVHC to transfer the additional funds. Through this contract, the Department would direct CIVHC to achieve certain standards or deliverables in administering the APCD, and if CIVHC does not meet them the Department would withhold payment or seek other remedies under the contract. The Department would incorporate the following areas in the contract:

1. Strategic planning for the APCD.
2. How the APCD Administrator is using data, performing analytics, and generating reporting from the APCD to generate revenue.
3. The APCD operating budget and financials, including that the Department receives periodic reports from CIVHC and has appropriate audit rights.
4. The APCD annual budgeting process to ensure that the state and Medicaid funds are used appropriately and solely for the APCD or as otherwise approved by the Department.
5. The pricing structures for APCD data releases, including safeguarding that free or discount pricing structures are available to state agencies and that pricing structures support the long-term financial health of the APCD.
6. The standards for data quality within the APCD and data release, including the usability of the data by recipients and timeliness standards for report and data release.
7. The APCD annual report to the General Assembly.
8. Any proposed changes to APCD reporting requirements or other proposed changes to the regulations governing the APCD.
9. The evaluation and approval of major, new vendor contracts to implement and manage the APCD.

In addition, the Department would set up a new APCD Contract Committee to provide advice to the Department on how to manage the APCD through the contract with CIVHC. The committee would provide

direction and recommendations to the Department on standards and deliverables within the contract. It would not replace any standing boards or committees currently in place to administer the APCD. The committee would consist of nine members selected by the Department's Executive Director, including:

1. One member each from the Department, the Department of Human Services (DHS), the Department of Public Health and Environment (DPHE), the Division of Insurance (DOI), and the Governor's Office;
2. One member representing a Health Plan;
3. One member representing a Health Care Provider, such as a large Health Care Provider or Hospital System;
4. One member representing the Business Community and employers who contributes claims to the APCD (such as the Community Business Group on Health); and
5. One member representing the prospective of a consumer of health care.

The new governance structure, which consists of the APCD Contract Committee and the contract between the Department and CIVHC, is not intended to replace the role of the CIVHC Board of Directors, replace or duplicate the role of the statewide, multi-stakeholder CO APCD Advisory Committee, which is required by statute to make recommendations to the Administrator for administration of the database; or replace the role of the Data Release Review Committee (DRRC), which the Department and CIVHC established to develop protocols for the release of data and to review and advise the Administrator on requests for APCD reports.

If this request is not approved, CIVHC would continue to try to maintain operations of the APCD by devoting resources towards actively marketing the data and seeking short-term grants, and the State would remain a passive participant in guiding the administration of the APCD, contributing only the share that can be allocated to Medicaid. If revenue is insufficient, the database would cease to be operational and the data would be destroyed or returned to its original source, per section 25.5-1-204(11), C.R.S.

Anticipated Outcomes:

By fully funding the APCD and taking a more active role in administering it, the Department anticipates that CIVHC would be able to shift priorities away from generating revenue to stay financially sustainable. Instead, the Department would work with CIVHC to improve the quality of the data and reporting standards. CIVHC would be able to focus on more robust analysis of the data, leading to insights that stakeholders can use when making decisions, while also reducing the cost of the data to promote wider access of the information. Data from the APCD can aid in determining proper rates for services, identifying potential access to care issues, and seeking efficiencies in providing health care services. These benefits link to the Department's strategic policy initiative to provide tools of transformation that will reduce the costs of health care. This request also ties to the Department's strategic policy initiative of operational excellence by promoting more efficient and effective business processes within the APCD.

Assumptions and Calculations:

Detailed calculations of the request are provided in the attached appendix.

The Department estimates that it will cost \$4,669,731 to administer the APCD in FY 2019-20 based on CIVHC's operating budget for FY 2018-19, trended forward by the rate of inflation³, and that it will continue to grow with inflation over time. The APCD budget grew more quickly than inflation in the last few years due to a transition to a new data vendor, more frequent reporting updates, and improvements in the data portal access, website, and public reporting capabilities. The Department does not anticipate that costs will continue to increase as quickly going forward, and would monitor the operating budget through its contract arrangement with CIVHC. The Department estimates that \$1,666,534 of the costs can be allocated to Medicaid and receive a federal match, based on the Department's submitted cost allocation plan with CMS for the APCD. The Department requests the remaining difference as state-only funds used to backfill the APCD's costs. The funding would be needed in FY 2019-20 and ongoing.

³ The Department assumes an inflation rate of 2.9%, which was the July 2018 Consumer Price Index for All Urban Consumers (CPI-U).

Table 1.1 FY 2019-20 Funding for the All-Payer Claims Database Financing Summary by Line Item								
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Notes/Calculations
A	(1) Executive Director's Office, (C) All Payer Claims Database Funding	\$2,619,731	0.0	\$2,811,464	\$0	\$0	(\$191,733)	Table 2.1
B	Total Estimate	\$2,619,731	0.0	\$2,811,464	\$0	\$0	(\$191,733)	Row A

Table 1.2 FY 2020-21 Funding for the All-Payer Claims Database Financing Summary by Line Item								
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	Notes/Calculations
A	(1) Executive Director's Office, (C) All Payer Claims Database Funding	\$2,755,153	0.0	\$2,946,886	\$0	\$0	(\$191,733)	Table 2.1
B	Total Estimate	\$2,755,153	0.0	\$2,946,886	\$0	\$0	(\$191,733)	Row A

R-11 All-Payer Claims Database Financing
Appendix A: Assumptions and Calculations

**Table 2.1 All-Payer Claims Database (APCD)
Source Breakdown of Requested Funding**

Row	Item	FY 2019-20	FY 2020-21	Calculations/Assumptions
A	Total Requested Funding	\$2,619,731	\$2,755,153	Row D - Row G
B	General Fund	\$2,811,464	\$2,946,886	Row E - Row H
C	Federal Funds	(\$191,733)	(\$191,733)	Row F - Row I
D	Total Funding Needed	\$4,669,731	\$4,805,153	Table 2.2 Row A
E	General Fund	\$3,836,464	\$3,971,886	Table 2.2 Row B
F	Federal Funds	\$833,267	\$833,267	Table 2.2 Row C
G	Funding Previously Appropriated for	\$2,050,000	\$2,050,000	HB 18-1327 "All-Payer Health Claims Database"
H	General Fund	\$1,025,000	\$1,025,000	HB 18-1327 "All-Payer Health Claims Database"
I	Federal Funds	\$1,025,000	\$1,025,000	HB 18-1327 "All-Payer Health Claims Database"

**Table 2.2 All-Payer Claims Database (APCD)
Source Breakdown of Estimated Funding Needed**

Row	Item	FY 2019-20	FY 2020-21	Calculations/Assumptions
A	Total Funding Needed	\$4,669,731	\$4,805,153	Row D + Row G
B	General Fund	\$3,836,464	\$3,971,886	Row E + Row H
C	Federal Funds	\$833,267	\$833,267	Row F + Row I
D	Total Title XIX Eligible Costs	\$1,666,534	\$1,666,534	Table 2.3 Row B
E	General Fund	\$833,267	\$833,267	Row D - Row F
F	Federal Funds	\$833,267	\$833,267	Row D * 50% Federal Match Rate
G	Additional Funds Needed - General Fund	\$3,003,197	\$3,138,619	Table 2.3 Row C
H	General Fund	\$3,003,197	\$3,138,619	Row G - Row I
I	Federal Funds	\$0	\$0	Cost not eligible for Title XIX

**Table 2.3 All-Payer Claims Database (APCD)
Estimated Funding Needed**

Row	Item	FY 2019-20	FY 2020-21	Calculations/Assumptions
A	Cost of Administering APCD	\$4,669,731	\$4,805,153	Based on CIVHC's FY 2017-18 operating budget; assumes a 2.9% increase, based on the July 2018 Consumer Price Index for All Urban Consumers (CPI-U)
B	Total Title XIX Eligible Costs	\$1,666,534	\$1,666,534	Based on submitted allocation plan to CMS
C	Additional Funds Needed - General Fund	\$3,003,197	\$3,138,619	Row A - Row B