



**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



**Department Priority: R-11**  
**Request Detail: Patient Placement and Benefit Implementation – Substance Use Disorder**

<b>Summary of Incremental Funding Change for FY 2020-21</b>			
	<b>FY 2019-20</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>
Total Funds	<b>\$80,000</b>	<b>(\$85,566,035)</b>	<b>\$1,368,000</b>
FTE	0	0	0
General Fund	\$26,400	(\$16,622,834)	\$451,440
Cash Funds	\$13,600	(\$5,519,687)	\$232,560
Reappropriated Funds	\$0	\$0	\$0
Federal Funds	\$40,000	(\$63,423,514)	\$684,000

**Summary of Request:**

The Department requests \$80,000 total funds, including \$26,400 General Fund and \$13,600 cash funds in FY 2019-20; a reduction of \$85,566,035 total funds, including reductions of \$16,622,834 General Fund and \$5,519,687 cash funds in FY 2020-21; and an increase of \$1,368,000 total funds, including \$451,440 General Fund and \$232,560 cash funds in FY 2021-22 and ongoing. The Department’s requested change to cash funds comes from the Healthcare Affordability and Sustainability Fee cash fund. The Department requests a funding adjustment related to the expansion of the substance use disorder (SUD) benefit through HB 18-1136, “Substance Use Disorder Treatment.” The adjustment reflects new information regarding the pace at which treatment providers will likely begin offering SUD treatment services. The Department projects lower estimated costs of the new residential and inpatient services benefit than the amount assumed in the fiscal note for HB 18-1136. The request also includes funding to provision SUD providers with an evidence-based tool to determine the appropriate treatment placement for clients. This request represents a decrease of less than 0.5% from the Department’s FY 2019-20 Long Bill total funds appropriation.

### ***Current Program:***

In 2018, the General Assembly passed HB 18-1136 requiring the Department to extend behavioral health care services to include residential and inpatient SUD treatment, pending approval of federal financial participation through an 1115 waiver.<sup>1</sup> The Department is in the process of securing the waiver and plans to implement the service changes by July 1<sup>st</sup>, 2020, as assumed in the fiscal note for the bill.

The fiscal note for HB 18-1136 included \$173,868,069 in funding starting in FY 2020-21 to pay for the additional substance use disorder services. This was based on a report from the Colorado Health Institute, funded by the Department to fulfill requirements in HB 17-1351, which estimated the cost of the expanded benefit based on the assumption that 17,000 enrollees would utilize the new treatment options each year.<sup>2</sup>

### ***Problem or Opportunity:***

#### **Patient Placement Tool**

In order to receive federal approval through an 1115 waiver to implement the inpatient and residential substance use disorder benefit, the Department must submit an implementation plan that outlines how providers would utilize evidence-based, SUD-specific patient placement criteria, per guidance from the Centers for Medicare and Medicaid Services (CMS). These criteria must ensure that:

- “Providers assess treatment needs based on SUD-specific, multi-dimensional assessment tools, e.g., the ASAM (American Society of Addiction Medicine) Criteria, or other patient placement assessment tools that reflect evidence-based clinical treatment guidelines.”
- “Utilization management approaches are implemented to ensure that (a) beneficiaries have access to SUD services at the appropriate level of care, (b) interventions are appropriate for the diagnosis and level of care, and (c) there is an independent process for reviewing placement in residential treatment settings.”

If the Department does not require its providers to use a unified decision support system, each Medicaid provider would be required to develop their own system that can justify their patient placement decisions under the ASAM criteria or another nationally recognized evidence-based clinical treatment guidelines. If the utilization management is not adequate, the Department may have difficulties in gaining approval for the 1115 waiver. In addition, without a consistent tool, there is the potential for over or under utilization of inpatient and residential services, resulting in poorer health outcomes.

#### **Cost Adjustment for Substance Use Disorder Benefit**

Using contractor funding appropriated through HB 18-1136, the Department’s actuary modeled expected costs for the new residential and inpatient substance use disorder benefit. The actuary also analyzed how the expanded benefit would impact the per-member per-month rates paid to the Department’s Regional Accountable Entities (RAEs) for behavioral health services. Based on preliminary analysis, the Department

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<sup>1</sup> <https://www.medicaid.gov/medicaid/section-1115-demo/about-1115/index.html>

<sup>2</sup> <https://www.colorado.gov/pacific/sites/default/files/HCPF%202017%20Inpatient%20SUD%20Treatment%20Report.pdf>

anticipates that the cost of the benefit will be significantly less than projected for the fiscal impact of HB 18-1136 in the first year of implementation. This is due in large part to a lower estimated number of benefit utilizers. The Department originally estimated that it would provide residential or inpatient treatments to an additional 17,000 members with implementation of HB 18-1136, based on an average historical uptake rate of 11%. New estimates from the Colorado Health Institute (CHI) indicate that provider capacity limitations may restrict services in the first year to less than half of the anticipated utilization. Thus, the Department has the opportunity to adjust the estimated cost of the benefits to reflect more accurate information.

### ***Proposed Solution:***

The Department requests \$80,000 total funds, including \$26,400 General Fund, in FY 2019-20 and a reduction of \$85,566,035 total funds, including \$16,622,834 General Fund in FY 2020-21 and ongoing to fund a patient placement tool and an adjustment to reduce the estimated cost of the SUD treatment benefit.

### **Patient Placement Tool**

The Department requests \$80,000 total funds, including \$26,400 General Fund in FY 2019-20, and \$1,368,000 total funds, including \$451,440 General Fund in FY 2020-21 and ongoing to contract with a provider of a SUD patient placement referral tool through a competitive bidding process. With this funding, the Department expects access to a tool which can map patients to the correct level of care based on the ASAM criteria, any required help in implementing the tool, including trainings and system modifications, licenses for up to 2,500 users (users being health care provider employees), and IT support.

There are currently three patient placement tools on the market, all of which use the ASAM criteria to map patients to the least intensive but safe level of care. The ASAM criteria is the most widely used and comprehensive set of guidelines for placement, continued stay, and transfer/discharge of patients with addiction and co-occurring conditions. Guidance from CMS on the 1115 waiver references ASAM criteria as acceptable assessment criteria to base the implementation plan requirements on.

Implementing the tool would help the Department reach its goal in the Department's FY 2019-20 Performance Plan to improve the delivery of member programs and health outcomes by ensuring members receive the most appropriate, evidence-based treatment. The tool would also help the Department reach its goal to control Medicaid costs by ensuring the right people receive the right services. The success of the tool at achieving these goals would be reviewed through the report the Department is required by statute to submit to the General Assembly on January 15, 2022.

Alternatively, the Department could require each provider to create their own system of ASAM criteria compliance, which would lead to inconsistent treatment decisions across providers and the potential for improper utilization of the new residential substance use disorder benefit. If this request is not approved, it could also jeopardize the Department's ability to gain CMS approval of its 1115 waiver.

### **Cost Adjustment for Substance Use Disorder Benefit**

The Department requests a reduction of \$86,934,035 total funds, including \$17,074,274 General Fund, in FY 2020-21, to reflect the most recent cost projections for the expanded substance use disorder benefit. The

estimate used for the fiscal note for HB 18-1136 did not account for any ramp-up in implementation. While the Department has made efforts to build provider capacity since the passage of the bill, it is unlikely that full provider capacity would immediately exist upon the launch of the benefit. Instead, the Department expects that provider capacity will grow over time. As a result, the capitation rates paid to the Regional Accountable Entities for behavioral health are expected to be lower than the original budget. Therefore, the Department requests to reduce the overall budget for the SUD benefit in FY 2020-21 only to account for lower than budgeted expenditures.

### ***Anticipated Outcomes:***

#### **Patient Placement Tool**

The Department anticipates that requiring providers to use a tool that will consistently and efficiently map patients to the appropriate ASAM Level of Care would lead to better health outcomes and may lead to long term cost savings. Two quasi-experimental studies on the effectiveness of such tools are described below.

In 2014, the Norwegian Directorate of Health and Drug and Alcohol Addiction funded a 10-site, 261-person, cohort study of the effectiveness of the ASAM criteria software. Subjects were assessed using the ASAM software but naturally placed in a level of care and deemed to be under-matched (matched to a lower level of care than the ASAM recommendation), appropriately matched, or over-matched. After three months, the under-matched population saw no significant change in their Addiction Severity Index Score, where the appropriately matched and over-matched populations saw significant drops. Retention among the under-matched, appropriately matched, and over-matched populations was at 45%, 62%, and 70%, respectively, and readiness to step down to a lower level of care was at 46%, 61%, and 17%, respectively.<sup>3</sup>

In 2003, Harvard Medical School funded a similar cohort study that looked at 95 U.S. veterans who were naturally placed in residential rehabilitation. Controlling for pre-assessment chronicity, subjects who were under-matched based off of a specially designed computerized interview that mapped them to an ASAM Level of Care utilized nearly twice as many hospital bed-days over the subsequent year as subjects who were not under-matched.<sup>4</sup>

ASAM reports success in the areas where their mapping software is being used. “The pilot program in Massachusetts (N=3,600) found good level-of-care distributions, conformity with ASAM’s principles [to teach addiction medicine by expanding and strengthening our workforce and dispelling stigma, to standardize the delivery of addiction medicine so that more patients receive high-quality, evidence-based care, and to cover addiction medicine in a way that expands patient access to coordinated, comprehensive care], and

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<sup>3</sup> Stallvik, M, Gastfriend, D, Nordahl, H. (2015). Matching patients with substance use disorder to optimal level of care with the ASAM criteria software. *Journal of Substance Use*, 20:6, 389-398.

<sup>4</sup> Sharon, E., Krebs, C., Turner, W., Desai, N., Binus, G., Penk, W., Gastfriend, D. (2003). Predictive validity of the ASAM patient placement criteria for hospital utilization. *Journal of Addictive Diseases*, 22:sup1, 79-93.

provider/patient acceptance. Successful large system pilots have expanded public sector use in Massachusetts, Los Angeles, and California’s prison system.”<sup>5</sup>

This research and information from other states suggest that with the implementation of an ASAM criteria tool for SUD assessment throughout the state, Colorado SUD providers would consistently match patients to appropriate levels of care and thereby improve treatment outcomes and more effectively manage the cost of inpatient/residential care. The tool would also support parity compliance efforts.

### **Cost Adjustment for Substance Use Disorder Benefit**

The Department anticipates that the costs for inpatient and residential services will be significantly less than initially projected in HB 18-1136 and that the rates paid to the Regional Accountable Entities (RAEs) will reflect the lower costs. This is a technical adjustment and not a change in the benefit design or service delivery.

#### ***Assumptions and Calculations:***

##### **Patient Placement Tool**

The Department assumes that the system would be implemented on July 1<sup>st</sup>, 2020, when the Department will begin covering residential services. Before the system goes live, the Department must pay set up and training costs.

The Department received preliminary cost information from a vendor to estimate costs of implementing the tool. The Department estimates it would cost \$50,000 to set up the tool. This includes developing a system that is dedicated only to Colorado and its provider agencies, creating a unique client identifier algorithm to match a state system, and providing for reporting access so that the State, as well as the providers, may have access to any of the questions and answers within the tools. This system allows each provider to access their own client records, and records may only be shared through an integrated consent process compliant with federal regulations. The State would have access to all data. The dedicated system can be expanded as the initiative moves forward with additional users and programs, with no additional set up costs for the site.

The Department estimates training costs based on the training used for providers using patient placement software in Arizona. The Department assumed four in-person trainings in the proper use of the ASAM criteria and unlimited webinar trainings, as well as six in-person trainings in the proper use of the software and two follow-up webinar trainings.

Once the system is implemented, the Department would pay for the software subscriptions for providers and system support costs.

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<sup>5</sup> "ASAM ELearning." ASAM ELearning: The Success of ASAM's CONTINUUM – Large System Adventures in Innovation (1 CME). Accessed June 10, 2019. <https://elearning.asam.org/products/the-success-of-asams-continuum-large-system-adventures-in-innovation-1-cme>.

The Department assumes that it would need the same number of users, 2,500, as Arizona which, as of March 2019, has 1,598,692 Medicaid enrollees compared to Colorado's 1,208,335 enrollees, and a capitated managed care behavioral health system similar to Colorado's. The Department estimates it would cost \$420 per user per year for the software license, where a user is defined as an employee of a provider who has access to the software. Under those assumptions, service costs per year post implementation would be \$1,050,000.

The Department estimates it would cost \$18,000 per year post implementation for tier three IT support. This level of support is conducted through a designated point person and addresses system-wide issues. The Department assumes it would need direct user IT support as well, for an estimated \$120 per user per year, or a total cost of \$300,000 per year.

### **Cost Adjustment for Substance Use Disorder Benefit**

Based on the updated CHI analysis, the Department assumes the expanded benefit will cost \$86,934,035 less than the funding appropriated through HB 18-1136 in FY 2020-21. The Department assumes provider capacity for the benefit will increase by FY 2021-22, and therefore the Department will need the full amount of funding appropriated in HB 18-1136 starting in that year.

### ***Supplemental, 1331 Supplemental or Budget Amendment Criteria:***

This request requires supplemental funding in FY 2019-20 for the patient placement tool and qualifies as such by meeting the criteria of an unforeseen contingency. Appropriations for HB 18-1136 did not include funding for the costs associated with the requirement listed in the 1115 waiver that "Providers assess treatment needs based on SUD-specific, multi-dimensional assessment tools, e.g., the ASAM Criteria, or other patient placement assessment tools that reflect evidence-based clinical treatment guidelines."<sup>6</sup>

It is a priority to successfully implement HB 18-1136. In order to implement the bill, the Department must receive an 1115 waiver to receive a federal match on the services and thus the providers must implement a patient placement system. Without supplemental appropriations, the Department would not be able to implement the software concurrent with the new SUD benefit on July 1, 2020.

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<sup>6</sup> Centers for Medicare & Medicaid Services, Section 1115 Substance Use Disorder (SUD) Demonstration: Implementation Plan.



R-11 Patient Placement and Benefit Implementation – Substance Use Disorder  
Appendix A: Calculations and Assumptions

Table 1.1: FY 2019-20, Patient Placement and Benefit Implementation – Substance Use Disorder, Summary by Line Item									
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP	Source
A	(1) Executive Director's Office; (A) General Administration; General Professional Services and Special Projects	\$80,000	0.0	\$26,400	\$13,600	\$0	\$40,000	50%	Table 2.1 Row C
C	<b>Total Request</b>	<b>\$80,000</b>	<b>0.0</b>	<b>\$26,400</b>	<b>\$13,600</b>	<b>\$0</b>	<b>\$40,000</b>	<b>50%</b>	<b>Row A</b>

Table 1.2: FY 2020-21, Patient Placement and Benefit Implementation – Substance Use Disorder, Summary by Line Item									
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP	Source
A	(1) Executive Director's Office; (A) General Administration; General Professional Services and Special Projects	\$1,368,000	0.0	\$451,440	\$232,560	\$0	\$684,000	50%	Table 2.2 Row B
B	(3) Behavioral Health Community Programs, Behavioral Health Capitation Payments	(\$86,934,035)	0.0	(\$17,074,274)	(\$5,752,247)	\$0	(\$64,107,514)	74%	Table 2.2 Row D
C	<b>Total Request</b>	<b>(\$85,566,035)</b>	<b>0.0</b>	<b>(\$16,622,834)</b>	<b>(\$5,519,687)</b>	<b>\$0</b>	<b>(\$63,423,514)</b>	<b>74%</b>	<b>Row A + Row B</b>

Table 1.3: FY 2021-22 and Ongoing, Patient Placement and Benefit Implementation – Substance Use Disorder, Summary by Line Item									
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP	Source
A	(1) Executive Director's Office; (A) General Administration; General Professional Services and Special Projects	\$1,368,000	0.0	\$451,440	\$232,560	\$0	\$684,000	50%	Table 2.3 Row B
B	(3) Behavioral Health Community Programs, Behavioral Health Capitation Payments	\$0	0.0	\$0	\$0	\$0	\$0		Table 2.3 Row D
C	<b>Total Request</b>	<b>\$1,368,000</b>	<b>0.0</b>	<b>\$451,440</b>	<b>\$232,560</b>	<b>\$0</b>	<b>\$684,000</b>	<b>50%</b>	<b>Row A + Row B</b>

R-11 Patient Placement and Benefit Implementation – Substance Use Disorder  
Appendix A: Calculations and Assumptions

Table 2.1: FY 2019-20, Patient Placement and Benefit Implementation – Substance Use Disorder, Summary by Initiative									
Row	Description	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP	Source
<b>SUD Patient Placement Tool</b>									
A	Implementation	\$50,000	0.0	\$16,500	\$8,500	\$0	\$25,000	50%	Table 3, Row I
B	User Training	\$30,000	0.0	\$9,900	\$5,100	\$0	\$15,000	50%	Sum of Table 3, Rows G and H
C	<b>Total Request for SUD Patient Placement Tool</b>	<b>\$80,000</b>	<b>0.0</b>	<b>\$26,400</b>	<b>\$13,600</b>	<b>\$0</b>	<b>\$40,000</b>	<b>50%</b>	<b>Row A + Row B</b>

Table 2.2: FY 2020-21, Patient Placement and Benefit Implementation – Substance Use Disorder, Summary by Initiative									
Row	Description	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP	Source
<b>SUD Patient Placement Tool</b>									
A	Licensing and Technical Support	\$1,368,000	0.0	\$451,440	\$232,560	\$0	\$684,000	50%	Table 3, Row J
B	<b>Total Request for SUD Patient Placement Tool</b>	<b>\$1,368,000</b>	<b>0.0</b>	<b>\$451,440</b>	<b>\$232,560</b>	<b>\$0</b>	<b>\$684,000</b>	<b>50%</b>	<b>Row A</b>
<b>Cost Adjustment for SUD Benefit</b>									
C	Capitation Rate Adjustment	(\$86,934,035)	0.0	(\$17,074,274)	(\$5,752,247)	\$0	(\$64,107,514)	74%	Assume a 50% reduction in costs for the residential and inpatient benefit; see narrative
D	<b>Total Request for Cost Adjustment for SUD Benefit</b>	<b>(\$86,934,035)</b>	<b>0.0</b>	<b>(\$17,074,274)</b>	<b>(\$5,752,247)</b>	<b>\$0</b>	<b>(\$64,107,514)</b>	<b>74%</b>	<b>Row C</b>
E	<b>Total Estiamte</b>	<b>(\$85,566,035)</b>	<b>0.0</b>	<b>(\$16,622,834)</b>	<b>(\$5,519,687)</b>	<b>\$0</b>	<b>(\$63,423,514)</b>	<b>74%</b>	<b>Row B + Row D</b>

Table 2.3: FY 2021-22 and Ongoing, Patient Placement and Benefit Implementation – Substance Use Disorder, Summary by Initiative									
Row	Description	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP	Source
<b>Cost Adjustment for SUD Benefit</b>									
A	Licensing and Technical Support	\$1,368,000	0.0	\$451,440	\$232,560	\$0	\$684,000	50%	Table 3, Row J
B	<b>Total Estiamte</b>	<b>\$1,368,000</b>	<b>0.0</b>	<b>\$451,440</b>	<b>\$232,560</b>	<b>\$0</b>	<b>\$684,000</b>	<b>50%</b>	<b>Row A</b>
<b>Cost Adjustment for SUD Benefit</b>									
C	Capitation Rate Adjustment	\$0	0.0	\$0	\$0	\$0	\$0		Assume no change in FY 2021-22 and ongoing
D	<b>Total Request for Cost Adjustment for SUD Benefit</b>	<b>\$0</b>	<b>0.0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>Row C</b>
E	<b>Total Estiamte</b>	<b>\$1,368,000</b>	<b>0.0</b>	<b>\$451,440</b>	<b>\$232,560</b>	<b>\$0</b>	<b>\$684,000</b>	<b>50%</b>	<b>Row B + Row D</b>

R-11 Patient Placement and Benefit Implementation – Substance Use Disorder  
Appendix A: Calculations and Assumptions

Table 3: SUD Patient Placement Program Costs				
Row	Item	FY 2019-20	FY 2020-21	Notes
A	Service Cost Per User Per Year	\$420	\$420	\$840 per user per year, 50% for over 2000 users
B	Direct IT Support Cost Per User Per Year	\$0	\$120	\$120 per user per year. Estimated vis ASAM proposal
<b>C</b>	<b>Cost Per User Per Year</b>	<b>\$420</b>	<b>\$540</b>	<b>Row A + Row B</b>
D	Estimated Users Per Year	0	2,500	Implementation Date: July 1st 2020 2,500 Users in Arizona
<b>E</b>	<b>Estimated Utilization Dependent Costs Per Year</b>	<b>\$0</b>	<b>\$1,350,000</b>	<b>Row C x Row D</b>
F	System Wide IT Support	\$0	\$18,000	Ongoing IT support through a designated point person. Estimated via ASAM proposal
G	Estimated Training Costs (ASAM Criteria Training)	\$10,000	\$0	ASAM Proposal: Covers 4 in-person trainings, each for 40 people and Webinar access
H	Estimated Training Costs (Continuum Software Training)	\$20,000	\$0	ASAM Proposal: Covers 6 in-person trainings and 2 follow-up webinar trainings.
I	Estimated Other Set Up Costs	\$50,000	\$0	ASAM Proposal: Includes creating dedicated system for Colorado in first 8-12 weeks
<b>J</b>	<b>Estimated Total Costs</b>	<b>\$80,000</b>	<b>\$1,368,000</b>	<b>Sum Rows E through I</b>