COLORADO
Department of Health Care Policy & Financing

Prospective Payments Part 1

Primary Care Workgroup Sessions

June 5, 2025

Objectives for Primary Care Prospective Payment Sessions

1. Review the current state of Primary Care Prospective Payment and related feedback/lessons learned.
2. Understand proposed updates to Prospective Payment for Program Year 2026.
3. Discuss potential enhancements to rate setting and reconciliation methodology.
4. Discuss what it would take to move towards a future state that is beneficial to providers and HCPF.

1. Welcome and Introductions

Purpose of the Workgroup Sessions

To inform the prospective payment and shared savings components for Primary Care Payment Structure

In Scope	Out of Scope
• **Communicate insights, experience, and expertise** on the topics presented • **Make suggestions or propose ideas** for primary care design within the context of the topics presented • **Provide feedback** to any consideration or option put forward • **Ask questions!**	• Make final decisions on the Primary Care design • Provide formal recommendations (i.e., report or standard documentation)

2. Current State: APM 2 Primary Care Payments

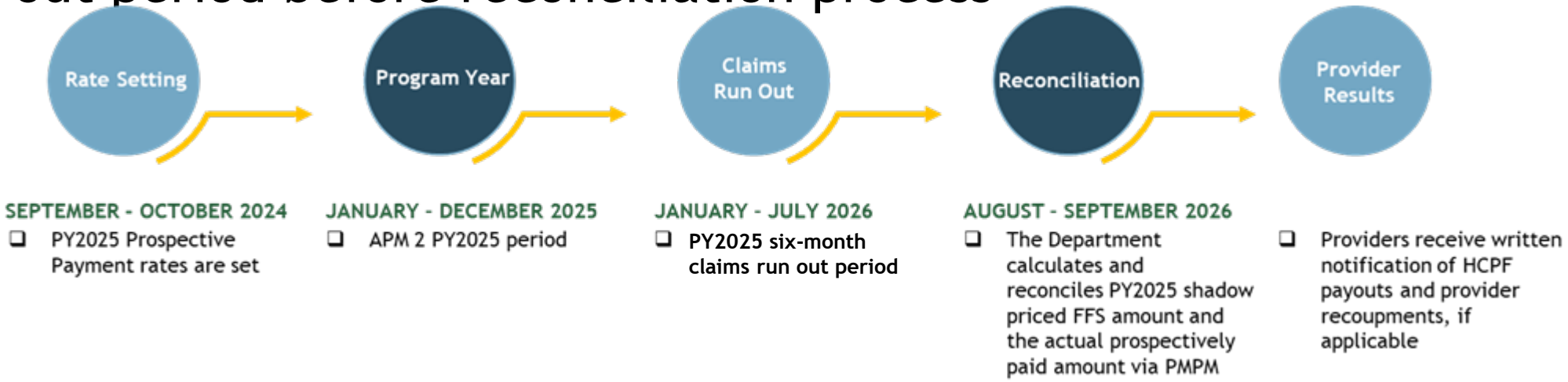
Primary Care Services Payment: Current State

Overview

- Payments from HCPF for providing primary care services outlined in the APM 2 code set.
- Payment is administered by HCPF through a FFS payment, partial prospective payment, or full prospective payment, based on PCMP's preference.

Current State: Prospective Payment Reconciliation

- "Shadow Billing" - PCMPs that select to receive any portion of their revenue as a prospective PMPM payment are still required to submit claims for all services provided, even though the service billed may not generate payment
- After each Performance Year, HCPF allows a six-month claims run out period before reconciliation process



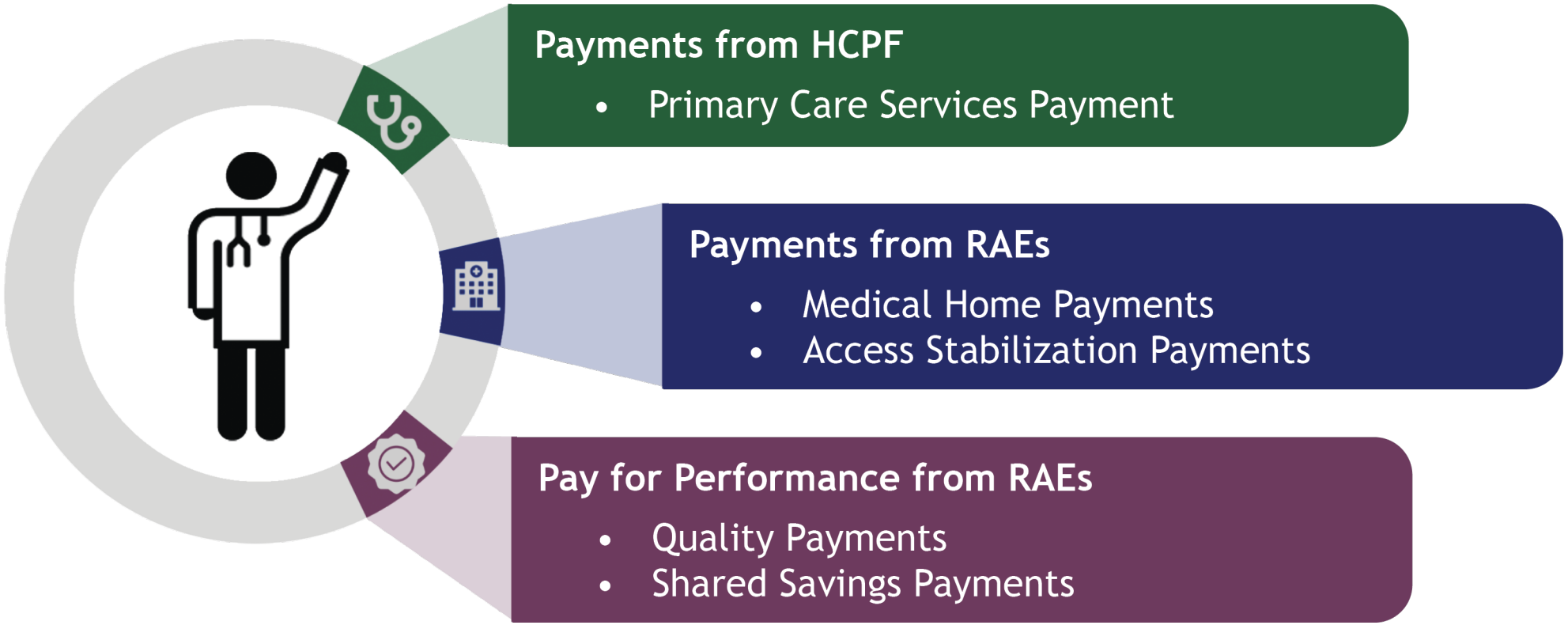
What We've Heard

- Providers like consistency, predictability, and stability of APM 2 payments
  - Hybrid approach combines predictable PMPM and adaptable FFS payments
- Prospective payment with reconciliation is administratively challenging
- Lack of transparency in PMPM rate setting and reconciliation
- Systematic changes that may reduce attribution (e.g., PHE Unwind, removal of geographic attribution) have a negative impact on PMPMs

What else?

3. Changes for Program Year 26

Primary Care Payment Structure



Eligibility criteria and payments vary across the three payment streams

Proposed Primary Care Services Prospective Payment PY26 Redesign

- Redesign is focused on **improving accuracy** of rates through the following:
  - Updating member mix
  - Updating reconciliation processes through:
    - Primary Care Services Prospective Payment PMPM Rebasing
    - Risk Corridors

Why Focus on Improving Accuracy?

Problem

Historical payments have been inaccurate leading to significant overpayments when reconciling to FFS.

Considerations

- HCPF must maintain budget neutrality.
- HCPF is considering a future state that includes partial FFS and capitated payments.

Solution

Improve the accuracy of the rates to mitigate potential over and/or underpayment

Updating Member Mix for PY26

Prospective Payment Rate Setting Process: Member Mix

Member mix describes a type of risk classification, and is based on risk characteristics that are related to differences in primary care cost and utilization.

Current Member Mix

Current State

HCPF currently uses two age groups for member mix:

Child (0-18 years old)	Adult (19+ years old)
• Able Child (AC) • Disabled Child (DC)	• Able Adult – Male (AA-M) • Able Adult – Female (AA-F) • Disabled Adult – Male (DA-M) • Disabled Adult – Female (DA-F)

Proposed PY26 Member Mix Updates

PY 26

HCPF is proposing to update the four rates* for member mix:

Infant
(<12 months)

Toddler
(1-3 years old)

Child
(4-18 years old)

- Child – Healthy (C)
- Child – Behavioral Health (CBH)

Adult
(19+ years old)

- Adult – Healthy (A)
- Adult – Behavioral Health (ABH)
- Adult – Chronic Condition (ACC)
- Adult – Behavioral Health and Chronic Condition (ABHCC)

Rationale: Behavioral health and chronic condition status offers more predictive advantage over disability status and sex

*Infant and Toddler do not have a member mix included (e.g. behavioral health or chronic condition) as age is the best predictor of costs

Discussion:

- What are your initial reactions to the member mix change?
- Do the proposed updates better reflect the utilization of members in your practice?

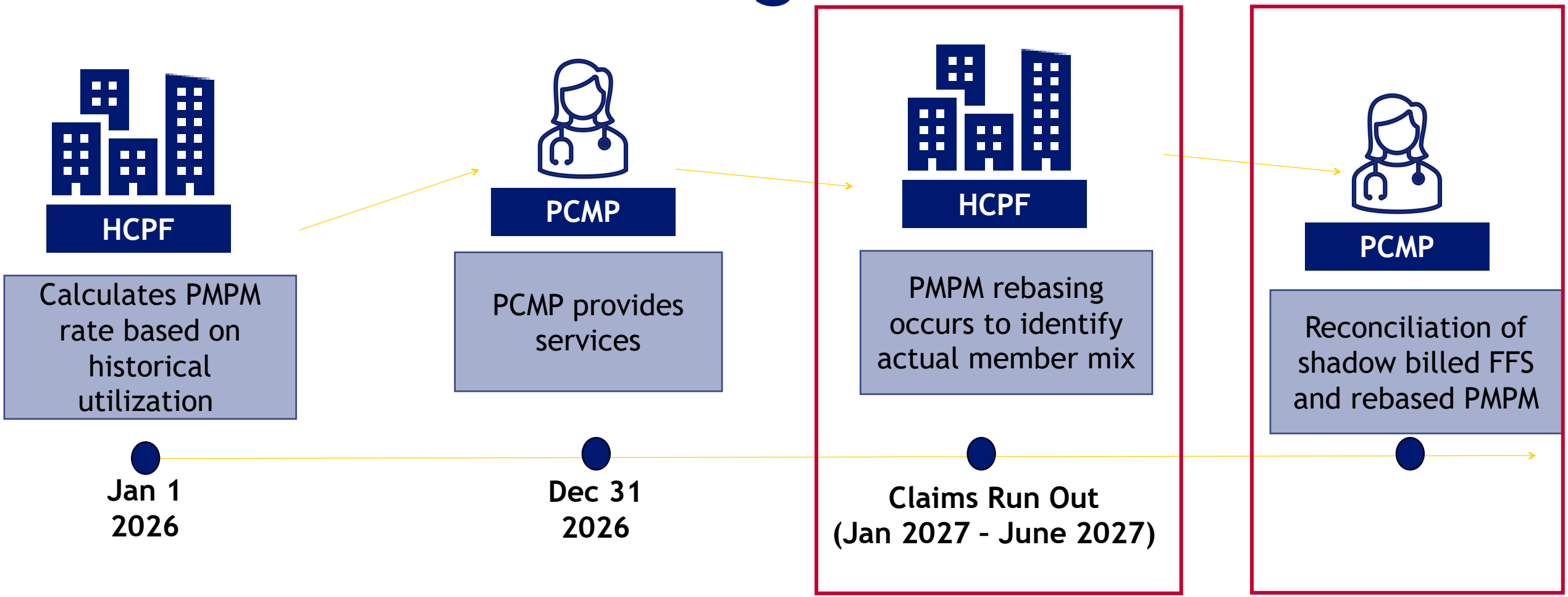
Updating Reconciliation Processes – PMPM Rebasing

PMPM Rebasing

PMPM Rebasing: The process of adjusting the Prospective Payment PMPM after the performance year to reflect the actual member mix during the performance year.

- Payments accurately reflect the demographic considerations of members and gives credit to providers for their specific member mix in the performance period

Proposed PY 26 PMPM Rebasing Process



Rebasing Scenario 1:

Member Mix **increases** fixed payment because of more children with behavioral health needs.

1 PMPM Rebasing for 10,000 child member months

	PMPM	Annual Payment
Initial Child Payment Rate	$31.00	$31,000
Rebased with Actual Child Member Mix	$35.00	$35,000
Rebased Impact to Initial Child PMPM Rates		**$4,000**

Rebasing

Initial Member Mix	%
Child - Healthy	75%
Child - Behavioral Health	25%

Actual Member Mix	%
Child - Healthy	▼ 40%
Child - Behavioral Health	▲ 60%

Discussion:

- What are your initial reactions to rebasing?
- Are there any unintended consequences of rebasing?
- What do you need from HCPF to assess the impact on your practice?