



COLORADO

Department of Health Care
Policy & Financing

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May 20, 2024

TO: Kara Johnson-Hufford

FROM: Cristen Bates, Director Office of Medicaid & CHP Behavioral Health Initiatives and Coverage, Colorado Dept. of Health Care Policy & Financing

RE: PPS Process and Timeline

Dear Ms. Johnson-Hufford and CBHC members:

Thank you for your outreach and continued dedication to payment reform in behavioral health. This email is in response to your May 10, 2024 outreach to Executive Director Bimestefer, me and other HCPF behavioral health subject matter experts.

As you know, the upcoming payment model changes have been planned for many years, authorized and directed by legislation, and developed based on extensive research, best practices, and stakeholder engagement. For the past three years, we have been working with community mental health centers (CMHCs), substance use providers, additional behavioral health providers, advocates, actuaries, financial experts, community partners, and state staff to develop the payment models for the newly defined Comprehensive and Essential Behavioral Health Safety Net Providers, which will go in effect July 1, 2024. These payment models expand and increase the state's investment in behavioral health services, follow national models that have shown success in other states, and meet the statutory requirements in C.R.S. 25.5-4-403 for a payment model for safety net providers that considers: Actual costs of services; Costs that are reasonable; Quality and accessibility; Health equity; Access by priority populations; and Value-based payment models.

While we appreciate your perspective and request for another year or two of planning, we are going to move forward with the PPS and Enhanced Payment Models for Comprehensive and Essential Behavioral Health Safety Net Providers. This is based on the statutory directives, confidence in the new payment model, commitment to new comprehensive and essential providers for additional funding, and the lack of time or resources required to re-assess and re-determine rates based on your request. Over the past three years, through significant stakeholder engagement and research, we have worked together to develop this PPS model. During COVID especially, it became clear that HCPF and BHA's current payment structure was not flexible enough to ensure safety net providers were not at risk for being substantially under funded. The PPS model is sustainable, reliable, data driven, nationally



supported, cost-based, accountable, and long overdue. Below you will find our response to the specific subpoints outlined in your May 10, 2024 letter.

1. Enable continued thoughtfulness in the modeling of the many factors and uncertainties affecting future cost trends.

As with any new model, the state is in full support of continuing to update and improve the model based on the way it is operationalized, as we have done multiple times with the current cost-based model. Expanding the planning phase for a fourth year will only delay opportunities to adjust the process through iterations.

2. Align the PPS timeline with the timeline for launching ACC 3.0 and the BHASOs. And, importantly, it will create space for some of the other disruptive issues to subside, namely the PHE unwind and the intensive front-end work needed to operationalize the new BHA regulations.

The changes coming in ACC 3.0, the launch of the Behavioral Health Administrative Services Organizations (BHASOs), and the High-Acuity Youth program all require state, provider, and community changes. Many of these elements are still in the planning phase and require additional efforts to implement. The Prospective Payment System (PPS) and the Enhanced Rate Schedule for Essential providers have been planned for three years and will help mature, new, and potential providers implement these and other systemic changes. The State recognizes the hard work that providers have ahead to operationalize new regulations; we remain committed to collaboration and to providing support to partners where possible with the understanding that it isn't feasible to make changes to the timeline.

3. Conduct a pilot or “shadow” process with a few safety net providers to ensure the viability of moving to a PPS.

HCPF conducted a “shadow” payment analysis to ensure that payments through PPS would positively impact the BH systems and not have unintended consequences. This analysis was presented to all CMHCs as well as the RAEs and feedback and input was solicited at the time. The general findings, along with feedback, showed that a daily rate PPS was preferable and that the general PPS model was more palatable than one that categorizes and prices services based on intensity.

4. Give the Department time to build the necessary protections into the RAE contracts to ensure all comprehensive providers are held harmless during a transition to a new payment methodology.

The RAE's implementation of the PPS model is very similar to the previous cost-based model. HCPF has already developed the RAE contracts to meet the PPS and Enhanced Payment Models, and worked with CMS on the development of these models. The shadow pricing exercise was completed and ensures that there are not unintended or harmful consequences for comprehensive and essential providers. The new PPS rate includes a 3% year over year trend, and more importantly allows for Comprehensive Providers to include non-Medicaid costs related to the overall operations of a BH provider required to accept all patients. HCPFs risk mitigation plan also identifies



quarterly communication between providers and RAEs to monitor funding issues to ensure identified concerns are addressed in a timely manner.

5. **Create space to integrate PPS development with the CCBHC planning grant and develop an approach that conforms with that model and fits Colorado's system and needs.** For example, we note that SAMHSA and CMS have recently approved new CCBHC PPS approaches that account for services such as mobile crisis response and on-site crisis stabilization services. Given the intense need to strengthen Colorado's crisis capacity and tight budget, we believe it is imperative to capitalize on opportunities like this to bring in additional funding for crisis services. Indeed, taking this time to align the payment structures will only strengthen Colorado's CCBHC application, as it will demonstrate tangible commitment to the model. This "pause and pivot" will only help the CCBHC planning grant application, as it gives HCPF and the BHA a substantive way to demonstrate a commitment to this model.

HCPF and BHA look forward to working with BHA, CBHC, other providers, community partners, members, and advocates in applying for the CCBHC planning grant. Ideally, the planning grant would be awarded in October 2025 and the CCBHC Demonstration grant would be awarded in Federal Fiscal Year 2026-27. Crisis services including mobile crisis were included in the current PPS rate calculation, and we are committed to working with all providers to support access to crisis services across the care continuum. The BHA/HCPF safety net changes were developed, in partnership with CBHC and other stakeholders, to align with the CCBHC model. However, not all providers will become CCBHCs, and the Comprehensive and Essential Safety Net Provider payment models being implemented in July 2024 cannot be delayed based on grants we have not been awarded, and federal funding that might not be available. We must move forward for Colorado, and for the entire safety net system.

6. **Create time to train providers on the elements of the CCBHC cost report.** It is well known that this can be one of the most daunting elements of CCBHC for providers, and a heavy lift for the state partners as well. Taking time on the front end to get it right can save valuable time and resources on the back end for both providers and the state.

As part of the CCBHC grant, the Department would allocate funds for Technical Assistance, as has previously been done with the current PPS and State cost reports. In order to appropriately work with the CCBHC cost reports, the Department would work with the stakeholder groups to ensure understanding on the new cost reports is universal.

We understand that change is difficult, and this is why we have prioritized funding to support the BHA Learning Management System and provider technical assistance to help experienced, new, and potential providers implement these payment models that we have spent over three years developing in partnership. We are preparing over 50 free technical assistance modules to help providers meet new regulatory standards, better understand and serve priority populations, and build up sustainable billing practices. Colorado communities have called for system change, for increased access, and for more accountability. The state



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has a responsibility to implement these changes, which are reliant on a payment model that meets these standards and supports all safety net providers. We deeply appreciate the time and effort the CBHC members have spent helping to design and test the PPS model and are committed to working with them and the RAEs on ensuring that the state is supporting a quality, comprehensive, and culturally responsive system of behavioral health services for Medicaid members.

Thank you for your partnership,

Cristen Bates

Cristen Bates

Office Director

HCPF's Medicaid & CHP+ Behavioral Health Initiatives & Coverage Office

CC: Kim Bimestefer, Melissa Eddleman, Steven Ihde, Commissioner Dannette Smith, Erin Wester, Kelly Causey, & Stephen Peng

