Hospital Transformation Program

Program Status and Overview

Published July 29, 2019

CHASE

Colorado Healthcare Affordability and Sustainability Enterprise

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I. Executive Summary

Consistent with the Colorado Healthcare Affordability and Sustainability Enterprise Act of 2017, the Colorado Health Care Affordability and Sustainability Enterprise (CHASE), in concert with the State of Colorado Department of Health Care Policy & Financing (the Department), will seek approval from the federal Centers for Medicare and Medicaid Services (CMS) for the federal authority necessary to embark on a program to implement hospital-led strategic initiatives through the establishment of a delivery system reform incentive payment (DSRIP) program.

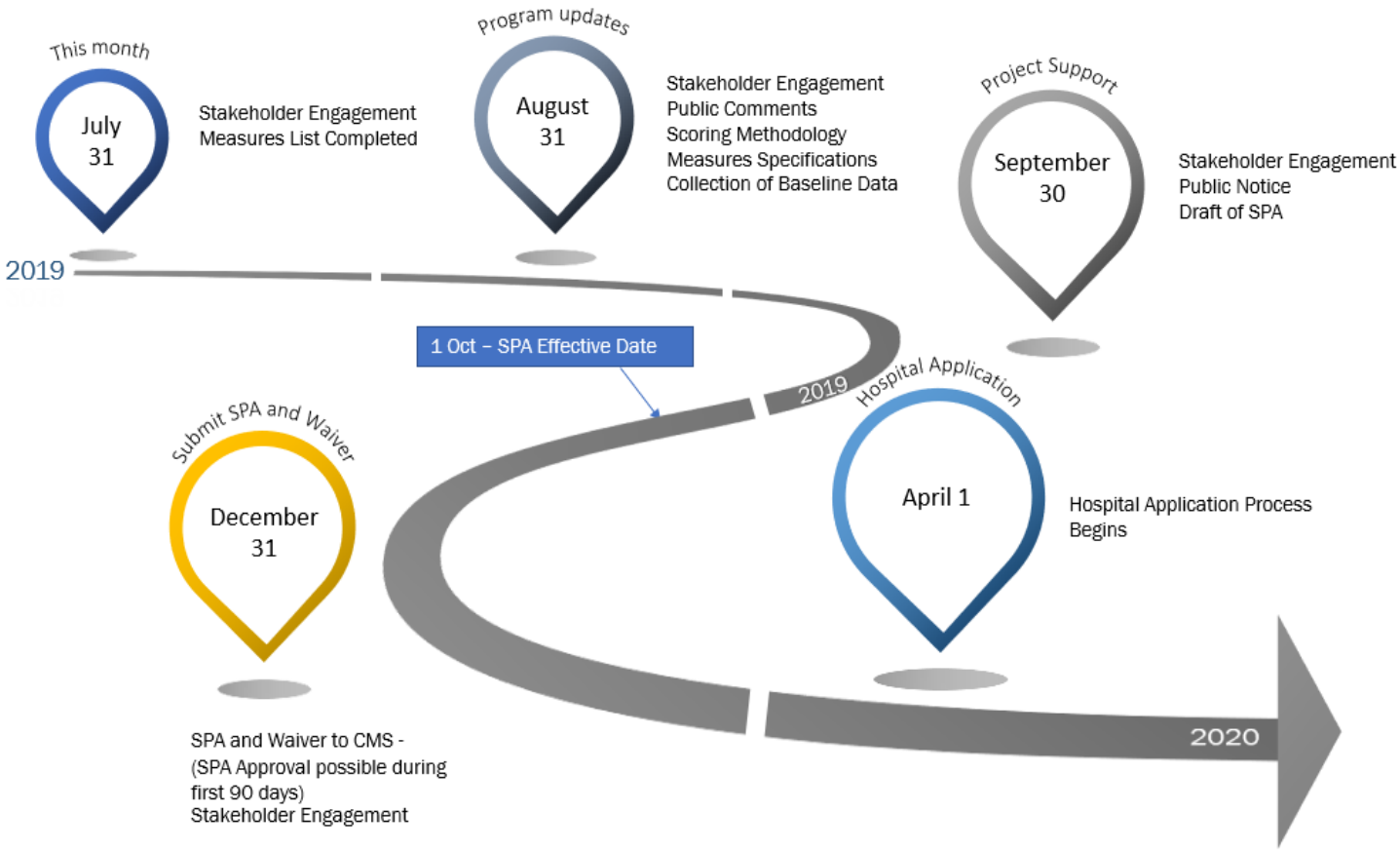
The state will leverage hospital supplemental payment funding generated through existing healthcare affordability and sustainability fees authorized under CHASE. These payments will be used as incentives in a statewide Hospital Transformation Program (HTP) designed to improve patient outcomes through care redesign and integration with community-based providers, lower Medicaid costs through reductions in avoidable care, and prepare the State's hospitals for future value-based payment environments. In partnership with CMS, the Department will implement the HTP through the development of a state plan amendment (SPA) and Section 1115 Medicaid waiver federal authorities.

This document outlines tasks and program design components remaining before the SPA and Section 1115 waiver can be submitted to the CMS. As it has been throughout the development of the HTP, the Department remains committed to a development process that is open, transparent, and inclusive of stakeholder and community input and feedback. These dates are current as of publication of this document. Additional program updates can be found on the HTP website and in the HTP Newsletter.

Timeline:

Remaining Program Design Components	Target Completion
Public comment opportunities	Ongoing
Measures list	July 31, 2019
Collection of baseline data	August 31, 2019
Measures specifications	August 31, 2019
Scoring methodology	August 31, 2019
Participating hospital application	August 31, 2019
State Plan Amendment (SPA) public notice	September 25, 2019
First draft of SPA developed	September 30, 2019
First draft of waiver developed & start of public comment period	September 30, 2019
SPA effective date	October 1, 2019
SPA feedback & comments	November 15, 2019

Remaining Program Design Components	Target Completion
Hospital reporting milestones	November 30, 2019
Waiver public comment period ends	November 30, 2019
Section 1115 waiver budget neutrality completed	November 30, 2019
Section 1115 waiver special terms and conditions finalized	November 30, 2019
Medical Services Board (MSB) public rule review meeting	December 23, 2019
Final draft of SPA submitted to CMS	December 31, 2019
Section 1115 waiver submitted to CMS	December 31, 2019
MSB initial approval	January 10, 2020
MSB final adoption	February 14, 2020
Rule effective date	March 30, 2020
Section 1115 waiver implementation date	October 1, 2020



II. Overview of HTP Federal and State Authority Vehicles

A. State

A **Medicaid state plan** is an agreement between the state and Federal government dictating how the state administers its Medicaid program. It provides assurance a state will abide by federal rules and may claim federal matching funds for its program activities. The state plan sets out groups of individuals to be covered, services to be provided, methodologies for providers to be reimbursed and the administrative activities that are underway in the state. When a state is planning to make a change to its program policies or operational approach, states send **state plan amendments (SPAs)** to the CMS for review and approval. Additionally, states submit SPAs to request permissible program changes, make corrections, or update their Medicaid or Children's Health Insurance Program state plan with new information.

The Medical Services Board (MSB) was established by law effective July 1, 1994. It is the responsibility of the MSB to adopt the rules governing the Department's programs. The Board hears each proposed rule twice to allow time for the public to participate.

Remaining Program Design Components	Target Completion
Medical Services Board (MSB) public rule review meeting	December 23, 2019
MSB initial approval	January 10, 2020
MSB final adoption	February 14, 2020
Rule effective date	March 30, 2020

B. Federal

A **Section 1115 Medicaid waiver** provides states an avenue to test new approaches in Medicaid that differ from what is required by federal statute. Waivers can provide states considerable flexibility in how they operate their programs, beyond what is available under current law, and generally reflect priorities identified by states and the CMS. While not set in statute or regulation, a longstanding component of waiver policy is that they must be budget neutral for the federal government. As a result, federal costs under a waiver must not exceed what federal costs would have been for that state without the waiver, as calculated by the administration. The Affordable Care Act (ACA) made Section 1115 waivers subject to new rules about transparency, public input, and evaluation. In February 2012, the US Department of Health and Human Services (HHS) issued new regulations requiring public notice and comment periods at the state and federal levels before new Section 1115 waivers and extensions of existing waivers are approved by CMS.

III. Outstanding Program Components

A. Quality Measures

Target completion: August 31, 2019

Overview

Hospitals will be eligible for performance payments and will be at-risk for a portion of their supplemental payments based on activity and performance for specific measures developed collaboratively throughout the pre-program period. These measures comprise a combination of statewide measures for all participating institutions, along with local measures selected by each hospital to align with their improvement priorities and community needs.

The development of specifications for each measure has been a collaborative process involving workgroups, clinical experts, stakeholder feedback, and Department subject matter experts. The Department will finalize and share these specifications publicly prior to the end of August 2019

Remaining Program Design Components	Target Completion
Measures list	July 31, 2019
Measures specifications	August 31, 2019

B. Baseline Data

Target completion: August 31, 2019

Overview

A core component of the measures-development process for program participants will be utilizing accurate data to establish baselines for each institution. These baselines will serve as the foundation point as the program gets underway and will help inform how improvement targets are set for participating hospitals going forward.

The baseline data is being obtained from multiple sources. These sources include, but are not limited to, Medicaid claims data pulled from Medicaid Management Information Systems (MMIS) and hospital self-reported data provided by the Colorado Hospital Association (CHA). The process of compiling MMIS data and setting the corresponding baselines will be completed prior to the end of August 2019.

Remaining Program Design Components	Target Completion
Collection of baseline data	August 31, 2019

C. Hospital Reporting

Target completion: November 30, 2019

Overview

Hospital reporting will begin with the submission of two foundational documents: a hospital application and an implementation plan for each HTP initiative. In the hospital application, hospitals will provide an overview of their goals for participation in the HTP, as well as their plans for governance and continued stakeholder engagement. Hospitals will identify their selected local measures and outline each initiative, including its evidence base, its connection to identified community needs, the hospitals' current or prior experience with the initiative, and any partnerships the hospital will undertake in support of the initiative. Following approval of hospital applications, hospitals will submit implementation plans detailing the strategies and steps they will take to execute initiatives, including the resources to be deployed, expected risks and challenges, and expected return on investment. Hospitals will identify milestones for each initiative as part of the implementation plans.

The development of the hospital application template is well-underway, and a final working draft will be completed prior to August 31, 2019. Work on development of the implementation plan template and requirements for selecting milestones has begun, and final working drafts of those will be completed prior to November 30, 2019. Following approval of the SPA, any final revisions needed based on the final SPA will be made to the templates and requirements prior to the start of the hospital drafting period for the hospital application (which will begin following SPA approval).

Remaining Program Design Components	Target Completion
Participating hospital application	August 31, 2019
Implementation plan	November 30, 2019
Milestones	November 30, 2019

D. Scoring

Target completion: August 31, 2019

Overview

Hospital performance will be evaluated through a scoring process based on the developed statewide measures and local measures selected by each hospital. Each measure will be worth a set number of points and hospitals will be required to meet varying levels of total points based on certain criteria to be determined in collaboration with key stakeholders. Criteria currently in development may include

hospital size (bed count), region (urban and rural), and status (critical access hospitals). If met completely, these varying point totals will reflect 100% levels of effort for hospitals in their relevant categories.

As mentioned above, hospitals will be required to take on mutually developed statewide measures and will have the autonomy to select their own local measures, based on identified community needs, to help meet their required levels of effort. In the first two years of the HTP, supplemental payments will be tied to periodic activity and data reporting by the hospitals, with low-percentage fiscal risks associated with failure to do so.

In the latter years of the program, the HTP will begin to impose percentage risks associated with failure to meet pre-selected measures, and these percentages will steadily increase year to year. If incurred, these penalties will form a pool of available dollars that will serve as savings bonuses. Hospitals, in turn, will have opportunities to earn back portions of these penalty dollars, not only for demonstrating improvements, but also for achieving savings based on efforts made through the HTP.

The methodology of when and how to assess and redistribute these penalty dollars that will be included in the SPA is being finalized and will be made public prior to the end of August 2019.

For more detailed information on how hospitals will be scored, please refer to the HTP Measures Scoring document.

Remaining Program Design Components	Target Completion
Scoring methodology	August 31, 2019

E. Public Comment Process

Target completion: ongoing

Overview

The Department is committed to continuing to engage internal and external stakeholders throughout the HTP development process including the state's hospitals, Regional Accountable Entities (RAEs), clinics, physicians, tribal partners, health plans, Local Public Health Agencies (LPHAs), and the general public.

Over the next several months, the Urban and Rural Hospital Workgroups will continue to meet and work collaboratively with the Colorado Hospital Association (CHA) and participating hospitals to develop elements of the HTP.

There will be additional opportunities to share ideas and comments through a series of webinars, workgroups, and public forums. The state is excited about the opportunities the HTP presents in aligning all the state's delivery system partners around our shared goals of improved, accessible, cost-effective health care and in further supporting the hospital community's strong, ongoing commitment to improving the health and addressing the health needs of all Coloradans.

Remaining Program Design Components	Target Completion
Public comment opportunities	Ongoing

IV. Federal Authorities

A. SPA Development Process

Target completion: December 31, 2019

Overview

The HTP will be authorized and implemented through both a state plan amendment (SPA) and an 1115 waiver.

Details of how existing supplemental payments will be distributed during the HTP's program years will be outlined in the SPA. These stipulations will include fiscal risks associated with failure to report in the first two years of the program, along with percentage risks, penalty dollars, and redistributions which will be assessed in the latter years of the HTP.

The SPA-development process is currently underway, with a plan to submit a public notice by September 25, 2019, with a SPA effective date of October 1, 2019.

Following the public notice, the Department will undergo a public feedback period to finalize the SPA before submitting to CMS by December 31, 2019. This feedback period will include collaborating with the CHASE Board as well as public engagement with key stakeholders to reach consensus on the final details of the SPA. Following submission of the SPA to CMS, the Department will work diligently with the CMS regional office to secure federal approval, perhaps as early as March 2020 and more than likely no later than September 2020.

Remaining Program Design Components	Target Completion
SPA public notice	September 25, 2019
First draft of SPA developed	September 30, 2019
SPA effective date	October 1, 2019
SPA feedback & comments	November 15, 2019
Final draft of SPA submitted to CMS	December 31, 2019

B. Waiver Development Process

Target completion: October 1, 2020

Overview

In addition to developing a SPA to authorize the HTP's key components, the Department will simultaneously undergo a waiver development process to authorize the program's remaining components. These aspects include savings bonuses to be awarded to hospitals for financial improvements, as well as payments made to

financially distressed rural hospitals to help attain program objectives. Due to the more complex nature of these payment arrangements, 1115 waiver authority is needed.

As noted above, the waiver development process will happen in concert with the SPA development process. Following the public notice of the SPA, the Department will conduct a public feedback period throughout the fall of 2019 and will complete the requisite budget-neutrality tests by the end of November 2019. Following this period, the Department will work to secure approval from the CHASE Board before submitting the official waiver to CMS by December 31, 2019. Negotiations will commence with CMS for the next several months following the submission, and with this timeline in mind, the Department intends to secure CMS approval of the waiver in concert with the aforementioned SPA. The start of the waiver's demonstration period is targeted for October 1, 2020, thus authorizing the HTP for the remainder of the program after the first year.

Remaining Program Design Components	Target Completion
First draft of Section 1115 waiver developed & Start of Public Comment Period	September 30, 2019
Section 1115 waiver public comment period ends	November 30, 2019
Section 1115 waiver budget neutrality completed	November 30, 2019
Section 1115 waiver special terms and conditions finalized	November 30, 2019
Section 1115 waiver submitted to CMS	December 31, 2019
Section 1115 waiver implementation date	October 1, 2020