

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State/Territory: COLORADO

Citation	Condition or Requirement
1906 of the Act	State Method on Cost Effectiveness of Employer-Based Group Health Plans

An individual's enrollment in a commercial (group or individual) health insurance plan is cost - effective when the amount paid for premiums and other cost sharing obligation plus the State's administrative costs are less than Medicaid's expenditure for an equivalent set of services for the average person in the same category of service.

Colorado's Cost-Effectiveness Formula

1. Determine the scope of benefits available to the Medicaid recipient under the commercial (group or individual) health insurance plan by gathering information about the effective date of the policy, exclusions to enrollment, the covered services under the policy, service limits, and premium, deductible and coinsurance charges. Then identify the areas of overlap between the commercial policy and Medicaid benefits. Estimate the maximum annual cost of the coinsurance and deductible (the maximum out-of-pocket cost sharing under the commercial health plan). Health plan cost sharing amounts in excess of the Medicaid allowed amounts will only be paid if the provider is not enrolled as a Medicaid provider (and, as such, has no mechanism to bill Medicaid through MMIS) AND it would still be cost-effective to Medicaid to pay the higher amount. Medicaid-enrolled providers are bound by Medicaid rules and, as such, will be paid up to the Medicaid allowed amount.

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2. Calculate the total insurance costs by adding together the commercial health plan's annual premium, deductible, and maximum out-of-pocket costs. Add to this figure the State's administrative cost for processing the health insurance information. (The administrative cost is periodically readjusted.) The resulting sum is the "total insurance costs."
3. Obtain the estimated average annual cost to Medicaid of persons like the recipient (profiled by factors of age, sex, and category of service data) for services covered by the commercial health insurance plan. Add the estimated Medicaid costs for the overlapping services together. This is the amount Medicaid would pay for those services if the commercial health insurance plan were not in place.
4. Calculate the cost-effectiveness by comparing the total insurance costs (premiums, deductibles, coinsurance, and administration) obtained in Step 2 to the average annual Medicaid costs (obtained from MMIS) for similar coverage for clients with similar profiles obtained in Step 3.

A commercial policy is determined to be cost-effective if the costs to the State under the commercial health plan are lower than the costs to the State for these services under Medicaid.

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ATTACHMENT 4.22-C
Page 3
OMB No.:

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5. If the health insurance plan is determined not to be cost-effective using average Medicaid costs in the above process, the specific recipient's known historical medical costs may be substituted for the average Medicaid costs in the above formula.

The State will pay premium, deductible, and coinsurance charges when it is cost-effective to do so.

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