

Topic: CO Outpatient Rate Reform  
Date: Tuesday, January 7, 2014  
Time: 2:00 pm, Mountain Standard Time (Denver, GMT-07:00)  
Meeting Number: 761 744 964  
Meeting Password: stakeholder

To join the online meeting (Now from mobile devices!)

1. Go to <https://pcgus.webex.com/pcgus/j.php?ED=196770052&UID=1151362772&PW=NZDgxMmEwNmQ5&RT=MiM2>
2. If requested, enter your name and email address.
3. If a password is required, enter the meeting password: stakeholder
4. Click "Join".

To view in other time zones or languages, please click the link:

<https://pcgus.webex.com/pcgus/j.php?ED=196770052&UID=1151362772&PW=NZDgxMmEwNmQ5&ORT=MiM2>

To join the audio conference only

To receive a call back, provide your phone number when you join the meeting, or call the number below and enter the access code.

Call-in toll-free number (US/Canada): 1-877-668-4493

Call-in toll number (US/Canada): 1-650-479-3208

Toll-free dialing restrictions: [http://www.webex.com/pdf/tollfree\\_restrictions.pdf](http://www.webex.com/pdf/tollfree_restrictions.pdf)

Access code:761 744 964



# Colorado Department of Health Care Policy and Financing Outpatient Hospital Rate Reform

---

Stakeholder Kickoff Meeting  
January 7, 2014



# Agenda

---

- Introductions
- Stakeholder Timeline
- Current Colorado Payment Methodology
- Goals of Outpatient Hospital Rate Reform
- Overview APCs and EAPGs
- Comparison of APCs and EAPGs
- Discussion
- Next Steps
- Contact Information



# Introductions

---

- Who is Public Consulting Group (PCG)?
  - PCG was contracted by the State of Colorado Department of Health Care Policy and Financing (the Department) to provide hospital rate setting services
  - Founded in 1986 as a privately held healthcare consulting firm based in Boston, Massachusetts
  - Our mission is to help public sector agencies improve operational and managerial performance
  - We have over 1,000 employees in 35 offices around the U.S. Canada, England, and Poland



# Introductions

---

- Our Colorado project team is comprised of Medicaid cost report and cost settlement experts
  - We have an strong understanding of OMB A-87 and the CMS Provider Reimbursement Manual (PRM)
- Key PCG Experience with Hospital Rate Setting
  - Wisconsin Department of Health Services
    - PCG recently helped Wisconsin Medicaid with the implementation of an EAPG payment system effective April 1, 2013
  - Massachusetts Executive Office of Health and Human Services
    - PCG is currently working with the Commonwealth of Massachusetts to fully implement an EAPG payment system



# Stakeholder Decision Making Timeline

Dec 2013

Jan 2014

Feb 2014

## Goals

Determine Department's intention to use 1293 money to overhaul payment for outpatient hospital services.

## Goals

Demonstrate which grouper is the best option using analysis and feedback received through outreach efforts.

## Goals

Select and communicate the chosen payment methodology.

### December 2013

Put together a workgroup with a mixed representation of hospitals.

### January 7, 2014

OP Rate Reform Kickoff Meeting

Discuss payment methods currently available: APC vs. EAPG

### February 4, 2014

Determine the new payment methodology (prospective) based on the support of the majority and PCG's recommendations,

### January 21, 2014

Gather feedback from the hospitals regarding payment methods presented.

### February 18, 2014

Communicate to all the hospitals the selection (provider bulletins, etc).

### February 25, 2014

Wrap up

# Current Colorado Outpatient Hospital Payment Methodology

---

- Outpatient hospital services are cost reimbursed
  - Hospitals are reimbursed for OP hospital services on an interim basis at actual billed charges multiplied by:
    - Most recent Medicare cost-to-charge ratio and
    - A percentage established by the Department on an annual basis
  - After hospital Medicare cost report is audited, the Department reconciles interim payments to actual outpatient hospital cost
    - Hospitals are paid the lesser of calculated outpatient cost or charges multiplied by established Department percentage



# Current Colorado Outpatient Hospital Payment Methodology

---

- Concerns with current methodology:
  - Does not attempt to address concerns over:
    - Cost containment
    - Improving health outcomes
    - Ease of administration
    - Quality data inputs
  - Vulnerable to:
    - Charge inflation
    - Changes to Medicare cost reports
  - Different hospitals are paid different amounts for the same services



# Goals of Outpatient Hospital Rate Reform

- The Department will be transitioning from the current methodology to a prospective payment system for outpatient hospital services
- Goals of prospective payment system:
  - More accurately classify the full range of outpatient service episodes
  - More accurately account for the intensity of services provided and
  - Motivate outpatient service providers to increase efficiency and effectiveness
- Two recommended outpatient hospital payment methodologies:
  - Ambulatory Patient Classifications (APCs)
  - Enhanced Ambulatory Patient Groupings (EAPGs)



# Overview of APCs

---

- Line level fee schedules by procedure code
- Each procedure code is assigned to one of hundreds of individual APC's
- For a single OP visit, a hospital may receive several APC payments
- For almost every APC, the fee equals a relative weight multiplied by a conversion factor



# Overview of EAPGs

---

- Visit based payment methodology
- Incentivizes hospitals to manage the number of ancillary services they provide
- More than one EAPG may be payable during a single visit
- Each EAPG has a relative weight that is multiplied by a single conversion factor



# Comparison of APCs and EAPGs

	APC (Medicare)	EAPG
<b>Methodology</b>	Primarily a payment classification system and fee schedule of individual outpatient procedures/services	Outpatient visit classification system, which places patients and services into clinically coherent groups
<b>Efficiency</b>	Minimal packaging of ancillaries and bundling of procedures	Comprehensive packaging and bundling
<b>Comprehensiveness</b>	Excludes many services, which are then covered under other fee schedules	Covers all medical outpatient services
<b>Medical Payment Basis</b>	Medical APCs pay based on self-reported effort (duration of patient contact)	Medical APGs pay based on patient's condition (diagnosis and procedure). Greater clinical focus
<b>Setting and Scope</b>	Applicability limited to payment for facility cost for hospital based outpatient services and ambulatory surgery centers	Broader applicability to other services and settings (e.g., Mental Hygiene, Physical Therapy, and Occupational Therapy) and to performance reporting
<b>Unit of Service</b>	Payment structure based on services utilization	Payment structure based on patient visit
<b>Local Control</b>	Subject to federal decisions on editing and payment policy	Provides for local control of payment policies
<b>Integral Measurement Methodology</b>	Large volume of fee schedule payments limit development of broad comparative values such as Case Mix Index	Claim weights provide foundation for evaluation of outpatient care using CMI type methodology, due to inclusion of all services in classification system

Used with permission: G. Allen, NY DoH and adapted by DNFee 3M

# Comparison of APCs and EAPGs

APC Pros	APC Cons
Payments are not determined by costs or charges	Cost barriers to implementation may exist
Reflects what services the provider administered to the patient	Can incentivizes hospitals to provide more services
Utilizes the efforts of Medicare for weights	Medicare population not necessarily reflective of Medicaid population
Public domain software tool	Minimal use of diagnostic information
Can be adapted to meet Colorado needs	Adaptations can be expensive and time consuming
	Uses evaluation and management (E&M) codes to establish payment levels for ER and clinic visits - Lack of national guidelines for hospital use of evaluation and management codes leaves hospitals to subjectively define visit levels
	Currently, no complex logic to pay for lab services, therapies (reimburse on fee schedule)



# Comparison of APCs and EAPGs

EAPG Pros	EAPG Cons
Payments are not determined by costs or charges	Cost barriers to implementation may exist
Can be adapted to meet Colorado needs	3M™ proprietary software tool
Reflects current coding and billing practices	Adaptations can be expensive and time consuming
Designed to describe a broader, non-Medicare population	
Reimburses providers more adequately for the level of care being delivered to patients	
Relies on diagnosis coding for visits, thus eliminating subjectivity	
Leverages data already submitted to Medicaid programs on claim forms	
Suitable for any outpatient setting	
Covers full spectrum of outpatient services	



# States Using (Will Be Using) EAPGs

---

- Florida
- Maine
- Massachusetts
- New York
- Ohio
- Oklahoma
- Texas
- Utah
- Virginia
- Wisconsin



# Discussion

---

- Hospital comments?
- Hospital experience with APC or EAPGs with other payers?



# Next Steps

---

- Gather additional stakeholder feedback
- Provide additional information on outpatient payment system options, as requested



# Contact Information

---

## Elizabeth Lopez

### Hospital Rates Analyst

Colorado Department of Health Care Policy and  
Financing

303-866-6018

[elizabeth.lopez@state.co.us](mailto:elizabeth.lopez@state.co.us)

## Luisa Sanchez de Tagle

### Hospital Rates Analyst

Colorado Department of Health Care Policy and  
Financing

303-866-6277

[Luisa.SanchezDeTagle@state.co.us](mailto:Luisa.SanchezDeTagle@state.co.us)

## Ryan Westrom

### Director of Finance

Colorado Hospital Association

720-330-6072

[Ryan.Westrom@cha.com](mailto:Ryan.Westrom@cha.com)



# Contact Information

---

## Laura Scott

**Senior Consultant**  
Public Consulting Group  
[lscott@pcgus.com](mailto:lscott@pcgus.com)

## Garrett Abrahamson

**Consultant**  
Public Consulting Group  
[gabrahamson@pcgus.com](mailto:gabrahamson@pcgus.com)

## Mekayla Cortez

**Consultant**  
Public Consulting Group  
[mcortez@pcgus.com](mailto:mcortez@pcgus.com)

## Julia Sun

**Business Analyst**  
Public Consulting Group  
[jsun@pcgus.com](mailto:jsun@pcgus.com)





**Public Consulting Group, Inc.**

148 State Street, Tenth Floor, Boston, Massachusetts 02109  
(617) 426-2026, [www.publicconsultinggroup.com](http://www.publicconsultinggroup.com)

