



# Medicaid Reimbursement is Changing in 2019

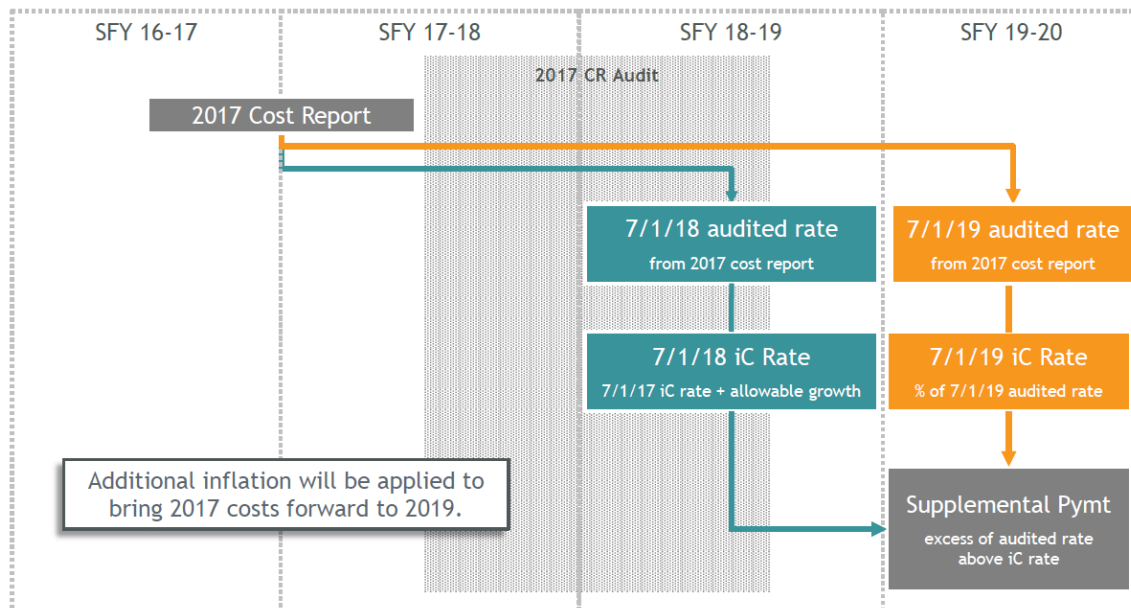
## What's the story?

The Colorado Department of Health Care Policy and Financing (Department) currently reimburses nursing facilities for services provided to Health First Colorado (Colorado's Medicaid program) members through two mechanisms:

1. interChange (MMIS or iC) per diem rate for Medicaid dates of service
2. Monthly supplemental payment

The total funding available for each mechanism is limited by state statute and federal rule. Over time, the application of these limitations has created an inequity in the distribution of available dollars amongst facilities. Currently, the interChange per diem rates are calculated based on last year's per diem rate plus a standard allowable state-wide growth percentage. The cost report audits used to calculate audited rates are not completed by the time rates are effective; therefore, audited rates cannot be used to set the interChange per diem. The differences between the interChange rates and the audited rates are corrected retroactively via a true-up in the monthly supplemental payment, which is distributed the year following the effective date of the audited rate. Since the interChange rates are calculated independent of the audited rates, the differences absorbed by the supplemental payments can be quite large and the retroactive true-ups can swing substantially between years.

Over the past year, the Department has been working with the Nursing Facility Provider Fee Advisory Board (PFAB) and other stakeholders to address the concerns of inequity and identify a solution. That solution is an alternate rate setting methodology, which realigns the cost reports used to set rates and allows the Department to use audited rates to calculate the interChange per diem. This realignment includes the application of additional inflation to the costs incurred and eliminates the need for a retroactive rate true-up, while maintaining the point in time at which costs are reimbursed. The graphic below illustrates the realignment and reimbursement timeline for July 1, 2019 rates. The **blue** path shows the reimbursement process under the current rate setting methodology; the **orange** path shows the reimbursement process under the alternate rate setting methodology.



There are typically enough interChange funds available to cover 90-94% of total, state-wide audited rates; however, the available interChange funds are not currently distributed equitably between facilities based on audited rates. Under the alternate rate setting methodology, the Department will set interChange per diems to be equal to 90-94% of audited

rates. Supplemental payments will then fund as much of the remaining 6-10% of audited rates as is possible based on available dollars, resulting in an equitable distribution of total available funds based on audited rates.

The table below illustrates the equitable distribution of total available funds (interChange per diems and supplemental payments) for July 1, 2019 based on audited rates. The **blue** shows the distribution of available funds under the current rate setting methodology; the **orange** shows the distribution of available funds under the alternate rate setting methodology. The "Total Rate Paid" includes the amount paid through the interChange per diem plus the amount funded by the supplemental payment.

	Current Methodology			Alternate Methodology		
	Audited Rate	Total Rate Paid	Percent of Audited Rate Paid	Audited Rate	Total Rate Paid	Percent of Audited Rate Paid
Facility A	\$210.00	\$210.00	100%	\$210.00	\$204.00	97%
Facility B	\$190.00	\$190.00	100%	\$190.00	\$184.00	97%
Facility C	\$210.00	\$198.00	94%	\$210.00	\$204.00	97%
Facility D	\$250.00	\$229.00	91%	\$250.00	\$243.00	97%

### How does this impact your facility?

The Department is working on a plan to implement the alternate rate setting methodology for July 1, 2019. If successful, it will mean your July 1, 2019 interChange rate and July 1, 2019 supplemental payment will be calculated differently than they were at July 1, 2018, and they will both be based on your audited rate for July 1, 2019 and your 2017 cost report. Your July 1, 2019 interChange rate will be approximately 90-94% of your July 1, 2019 audited rate, as shown below.

$$\begin{array}{c} \text{7/1/2019} \\ \text{interChange Rate} \end{array} = \begin{array}{c} \text{7/1/2019 Audited Rate} \\ \text{(based on 2017 cost report)} \end{array} \times \begin{array}{c} \text{90-94\%} \\ \text{(subject to available funds)} \end{array}$$

The remaining 6-10% of the July 1, 2019 audited rate will flow into the supplemental payment calculation for July 1, 2019. The supplemental payment in this first year of implementation will also require a retroactive rate true-up for July 1, 2018 audited rates, since that true-up has not yet occurred, as shown below.

$$\begin{array}{c} \text{7/1/2019} \\ \text{Supplemental Pymt.} \\ \text{(rate true-up only,} \\ \text{subject to available funds)} \end{array} = \begin{array}{c} \text{7/1/2019 Audited Rate} \\ \text{(based on 2017 cost report)} \end{array} \times \begin{array}{c} \text{6-10\%} \\ \text{(\% not funded} \\ \text{through IC)} \end{array} + \begin{array}{c} \text{7/1/2018 True-Up} \\ \text{(also based on 2017 cost report)} \end{array}$$

### What resources do you have?

The PFAB members and other stakeholders meet at least monthly to discuss the alternate rate setting methodology and all issues associated with the transition. The meetings are open to the public and available via webinar; for information on date and time, please see the Department's website. **A webinar will be offered to describe the alternate methodology and transition process and to answer questions; once scheduled, an announcement will be distributed to all stakeholders.**

**JEFF WITTEICH**  
**Lead Provider Fee Analyst**  
 Finance Office  
 Colorado Department of  
 Health Care Policy and Financing  
**(303) 866-2456**

**JOSH FANT**  
**Director of Finance**  
**and Reimbursement**  
 Colorado Health Care Association  
 and Center for Assisted Living  
**(303) 861-8228**

**DEBORAH LIVELY**  
**Director of Public Policy**  
**and Public Affairs**  
 LeadingAge Colorado  
**(303) 837-8834**

