MEMORANDUM

JOINT BUDGET COMMITTEE

To	Members of the Joint Budget Committee
From	Eric Kurtz, JBC Staff (303) 866-4952
Date	November 19, 2024
Subject	Medicaid provider rate review schedule

Medicaid provider rate review schedule

Pursuant to statute[1], the Joint Budget Committee (JBC) must decide by December 1 each year whether to direct the Department of Health Care Policy and Financing to review a Medicaid rate out of the established rate review schedule or include an exempted rate in the review. If the Department receives any petitions for out-of-cycle rate reviews, it must forward them to the JBC. This memo provides background information to help the JBC decide whether to make any modifications to the rate review schedule. Analysis of the Department's provider rate recommendations for FY 2025-26 will be provided at the briefing for the Department of Health Care Policy and Financing.

The JBC staff does not recommend any modifications to the rate review schedule or exempt services.

Review process

The Department reviews provider rates on a three-year cycle. The rate reviews are intended to inform the Governor's annual budget request and the General Assembly's deliberations about funding for the Department. As part of the review, the Department must:

- Compare Medicaid rates to available benchmarks
- Use metrics to assess whether payments are sufficient to:
  - allow provider retention and client access; and
  - support appropriate reimbursement of high-value services.

The rate reviews are conducted with input from the Medicaid Provider Rate Review Advisory Committee (MPRRAC). The Department and MPRRAC meet at least quarterly to discuss provider rates and receive public input. In addition to the JBC, the MPRRAC can direct a change to the rate review schedule.

The Department must submit a report by November 1 each year summarizing: their analysis of the provider rates under review; the public input received and the Department's response; how the public input informed the Department's recommendations; and the Department's rate

[1] Section 25.5-4-401.5 (1), C.R.S.

recommendations. The 2024 Medicaid Provider Rate Review Analysis and Recommendation Report is available through the Department's web site.

The MPRRAC must present to the JBC by December 1 each year an overview of the rate review process, a summary of the rates reviewed, and the strategies for responding to the findings of the review. The discussion of strategies includes any fiscal or non-fiscal approaches or rebalancing of rates, any advisory committee recommendations for rate adjustments, and any recommendations for improving capacity and access to services.

Review schedule

The Department just completed the second year of the three-year rate review cycle. The table below summarizes the rate review cycle.

Rate Review Schedule		
2024 Review (Complete)	2025 Review	2026 Review
Home- and Community-Based Services	Dialysis and Nephrology Services	Abortion
Home Health	Durable Medical Equipment	Ambulatory Surgical Centers
Medical Transportation	Eyeglasses and Vision	Anesthesia
Pediatric Personal Care	Injections and other Miscellaneous J-Codes	Behavioral Health (fee-for-service only)
Physician - Sleep & Epilepsy Studies	Laboratory and Pathology Services	Dental (partial review)
Private Duty Nursing	Physical, Occupational, and Speech Therapy	Maternity Services
Psychiatric Residential Treatment	Physician Services	Pediatric Behavioral Therapy
Qualified Residential Treatment	Prosthetics, Orthotics, Disposable Supplies	Surgeries
Substance Use Disorder	Specialty Care Services	
	Targeted Case Management	

Exempt services

The rates reviewed by the MPRRAC represent a subset of the Department's service expenditures. The Department may exempt rates from review because the rates are adjusted periodically based on another state or federal law or regulation. A little over half of the Department's appropriations for services are exempted from the rate review process. For rates exempt from the MPRRAC review, any required annual adjustments get included in the forecast requests (R1-R5).

Rates Reviewed by MPRRAC		
Item	Total Funds	General Fund
Projected Service Expenditures (November forecast)		
Medical Services Premiums	$12,978,805,284	$3,872,415,144
Behavioral Health	1,299,826,326	328,620,082
Office of Community Living	1,316,681,401	647,294,950
Children's Basic Health Plan	301,736,237	50,712,851
Medicare Modernization Act	268,891,377	268,891,377
Projected Service Expenditures (November forecast)	$16,165,940,625	$5,167,934,404

Rates Reviewed by MPRRAC		
Item	Total Funds	General Fund
Estimated $s Exempt from MPRRAC Review		
Financing (mostly provider fee supplemental payments)	$2,113,200,806	-$123,913,130
Hospitals	1,960,483,262	582,602,921
Behavioral health managed care	1,288,634,800	325,930,987
Pharmaceuticals	816,149,922	242,537,816
Nursing	799,055,732	399,527,866
HMOs	523,450,721	155,555,482
PACE Managed care	354,208,590	177,104,295
Insurance (Medicare premiums & buy in)	317,105,989	195,942,720
CHP+ Managed care	301,736,237	50,712,851
Medicare Modernization Act	268,891,377	268,891,377
FQHCs and RHCs	259,508,408	77,118,922
Accountable Care Collaborative & disease management	217,736,559	67,780,394
Hospice	68,784,809	34,392,405
Administrative case management contracts	32,053,763	16,677,818
Office of Community Living State-only Program	21,800,705	21,800,705
Exempt from MPRRAC Review	$9,342,801,680	$2,492,663,429
Subject to MPRRAC Review	$6,823,138,945	$2,675,270,975
Percent of Service Expenditures Subject to MPRRAC Review	42.2%	51.8%

Recommendation

The JBC staff recommends no modifications to either the rate review schedule or exempt services. The JBC staff recommends allowing the executive branch to proceed in the order deemed most administratively feasible by the Department. The proposed grouping of similar services, the alignment of the schedule with the public release of key benchmarks, and the synchronizing of the schedule with key Department deadlines all appear to be reasonable decisions that will promote better policy debate. The proposed exemptions for rates that are adjusted periodically as a result of another state or federal law or regulation appear appropriate.

If the JBC agrees with the staff recommendation, no further action is necessary. If the JBC wants the Department to review a rate out of cycle or review an exempt rate, then the JBC needs to take a vote on a motion so that a letter can be sent to the Department prior to the December 1 statutory deadline. The Department would then begin the rate review or notify the JBC within 30 days of any obstacles to conducting the review. This could include the Department requesting additional funds to complete the review or explaining why the review cannot be completed in the available time.