

MEMORANDUM



JOINT BUDGET COMMITTEE

TO Joint Budget Committee
FROM Eric Kurtz, JBC Staff (303-866-4952)
DATE November 28, 2023
SUBJECT Medicaid provider rate review schedule

Pursuant to statute¹, 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 2024-25 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 recommendations. The most recent report is available through the Department's web site: [2023 Medicaid Provider Rate Review Analysis and Recommendation Report](#).

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.

¹ Section 25.5-4-401.5(1), C.R.S.

REVIEW SCHEDULE

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

Rate Review Schedule		
2023 Review (Complete)	2024 Review	2025 Review
Abortion	Dental	Dialysis and Nephrology Services
Ambulatory Surgical Centers	Home- and Community-Based Services	Durable Medical Equipment
Anesthesia	Home Health	Eyeglasses and Vision
Behavioral Health	Medical Transportation	Injections and other Miscellaneous J-Codes
Dental (partial review)	Pediatric Personal Care	Laboratory and Pathology Services
Maternity Services	Physician - Sleep Studies	Physical, Occupational, and Speech Therapy
Pediatric Behavioral Therapy	Private Duty Nursing	Physician Services
Surgeries	Psychiatric Residential Treatment	Prosthetics, Orthotics, Disposable Supplies
	Qualified Residential Treatment	Targeted Case Management
	Substance Use Disorder	

EXEMPT SERVICES

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 65 percent of the Department's appropriations for services are exempted from the rate review process.

Rates Reviewed by MPRRAC	
	FY 2024-25
Projected Expenditures (November forecast)	
Medical Services Premiums	\$12,124,014,043
Behavioral Health	1,195,530,466
Office of Community Living	213,406,251
Children's Basic Health Plan	1,152,316,773
Expenditures	\$14,685,267,533
Estimated \$s Exempt from MPRRAC Review	
Financing (mostly provider fee sup payments)	\$2,041,492,903
Hospitals	1,888,377,046
Behavioral health managed care	1,183,133,861
CHP+ Managed care	1,152,316,773
Nursing	825,037,817
HMOs	644,218,202
Pharmaceuticals	588,496,040
PACE Managed care	344,423,972
Insurance (Medicare premiums & buy in)	285,066,131
Accountable Care Collaborative & disease management	257,141,264
FQHCs and RHCs	233,210,017
Administrative case management contracts	90,949,271
Hospice	74,626,600
Office of Community Living State-only Program	21,373,241
Exempt	\$9,629,863,138
Subject to MPRRAC Review	\$5,055,404,395
Percent of Expenditures	34.4%

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.