

# Colorado Hospital Transformation Program Concept Paper

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*Delivery System Reform Incentive Payment*

**September 2016**



**COLORADO**

Department of Health Care  
Policy & Financing

## Contents

<b>I. Executive Summary .....</b>	<b>3</b>
<b>II. Background .....</b>	<b>9</b>
<b>III. Colorado Hospital Transformation Program Overview.....</b>	<b>12</b>
<b>IV. Hospital Transformation Program Timeline .....</b>	<b>15</b>
<b>V. Hospital Transformation Program Participant Funding .....</b>	<b>18</b>
<b>VI. Waiver Funding.....</b>	<b>19</b>
<b>VII. Measuring Success of the Hospital Transformation Program.....</b>	<b>20</b>
<b>VIII. Waiver Development Overview .....</b>	<b>21</b>
<b>IX. Conclusion .....</b>	<b>23</b>



## I. Executive Summary

The State of Colorado Department of Health Care Policy and Financing (the Department) will seek approval from the federal Centers for Medicare and Medicaid Services (CMS) for Section 1115 waiver authority to embark on a five year demonstration to implement hospital-led strategic initiatives through the establishment of a delivery system reform incentive payment (DSRIP) program. The state will leverage hospital supplemental payment funding generated through existing hospital provider fees authorized under the Colorado Health Care Affordability Act of 2009. These payments will be used as incentives in a statewide hospital transformation program designed to improve patient outcomes through care redesign and integration with community- based providers, lower Medicaid costs through reductions in avoidable care, and prepare the state's hospitals for future value-based payment environments.

The State of Colorado is at the forefront of health care innovation, and focused on the Triple Aim's goals of better patient experience, improved health outcomes, and reduced cost. Colorado is focused on leading and implementing delivery system reforms through its innovative [Accountable Care Collaborative \(ACC\)](#) and through participation in the Comprehensive Primary Care (CPC) Initiative, with both efforts focused on integrating ambulatory care, as well as through the [State Innovation Model \(SIM\)](#) and [Colorado Opportunity Project \(COP\)](#), efforts designed to transform the delivery of care and address social determinants of health among the state's most vulnerable populations. One piece that has been missing across the state's reform efforts, however, has been a program with a significant focus on a role for the hospitals to play.

Hospitals are a major source of care delivery and point of entry to care across the state. While working diligently to serve the complex day-to-day needs of their patients, hospitals are engaged in making an array of clinical, operational, and systems improvements. However, several significant gaps in integration emerge when considering the whole of the state's health care delivery system and hospitals' particular

role in the delivery of care.

A growing body of economic analysis indicates that the total dollars lost through inefficient care transitions from hospitals to post-acute settings is oftentimes the primary driver of variation in a patient's total annual medical expense.<sup>1</sup> Additionally, the prevalence of mental health and substance use disorders across the population continues to represent a major determinant of a health care system's ability to control population health and ensure patients' adherence to medication and other primary and preventive health services. Hospitals play a vital role in controlling and coordinating patient care across both of these critical areas, and their integration with care providers outside their four walls remains fundamental to successfully navigating these difficult delivery paradigms.

The hospital transformation program will engage the state's acute care hospitals by pairing the flexibility to implement innovative interventions with financial incentives designed to encourage regional collaboration and improve access, quality and appropriateness of service delivery, and patient outcomes across vital areas of care. The hospital transformation program will be the state's first major effort to significantly redirect hospital supplemental payments toward major delivery model transformation. Colorado currently has a limited pay for performance effort underway known as the Hospital Quality Improvement Payment (HQIP) program. It is a voluntary supplemental payment program that pays participating hospitals based on reporting of five annually selected measures. The HQIP program represents less than 10 percent of total supplemental payments received by hospitals throughout the year.

The hospital transformation program will be an effort by the state to unambiguously affirm that the shift toward total medical expense delivery models, population health, and other alternative payment methodologies will be the future of reimbursement.

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<sup>1</sup> "Health Policy Brief: Care Transitions," Health Affairs, September 13, 2012.

The hospital transformation program will focus on improving population health across targeted communities through the development of the significant infrastructure, delivery system integration, and care interventions needed to allow the state's hospitals to join the ongoing improvements in care efforts already underway throughout the state's ambulatory health care system. The hospital transformation program will seek to build infrastructure, integrate the Medicaid delivery system and use data to improve care delivery, and prepare for value-based payment. The hospital transformation program envisions transforming care across three separate focus areas:

- ***Care Coordination and Transition Management:*** Hospitals will be incentivized to think strategically about how to optimally align with the participants in the ACC program, its embedded medical home structure and other community-based providers to improve transitions of care between the hospitals and other ambulatory health care settings, as well as transitions back into the community and to a patient's home.
- ***Integration of Physical and Behavioral Health:*** Consistent with the focus of SIM activities and the state's future ACC vision, interventions will focus on efforts hospitals can make or expand upon to integrate physical and behavioral health care, whether in the emergency department, primary care, or inpatient settings. Hospitals will focus on implementing evidence-based initiatives geared toward more frequently and effectively screening for and addressing behavioral health needs, reducing unnecessary emergency department use, and coordinating and managing care in the community. With the goal and vision of developing an integrated system, project expectations will be cognizant of the capabilities and resources available in the community. With an understanding of the limitations universally, and the particular challenges within communities, the hospital transformation program will seek a pragmatic approach that the hospitals can take to improving how the resources in the community are utilized to contribute to a more integrated system.



- ***Population Health and Chronic Condition Management:*** Hospitals will engage individuals based on targeted health care needs, whether individuals are significant users of the health system, or have chronic health conditions, such as diabetes, cardiovascular disease or asthma. Additional subsets of patients particularly relevant to the state will also be a focus, including care for post- partum mothers and newborns, discharge planning services, advance care planning, tobacco use and cessation counseling, and care for other special populations, such as individuals facing discharge to homelessness. Population health and chronic populations will be identified by aligning with Colorado’s existing statewide initiatives, such as the COP and the SIM. Hospitals will also be required to complete a project justification document as a tool for identifying populations and developing project implementation plans. Hospitals will be expected to complete their project justification alongside their service areas’ Regional Care Collaborative Organizations (RCCO), Local Public Health Agencies (LPHA) and other community partners wherever possible. The project justification document shall also be informed by relevant data and findings from the most recent Community Health Needs Assessments (CHNA) performed by the hospital and community partners.

As the state’s and the nation’s payment systems continue to evolve towards value-based reimbursement, the state’s hospitals are looking for clear direction on future priorities for the Medicaid population. These projects, as well as the supplemental payments accompanying them, will reinforce that direction and assist with strategic investment decisions enabling greater alignment with the state’s ambulatory care community. The projects that emerge from the above mentioned focus areas will be designed to drive favorable patient outcomes through a transformation of the state’s hospitals and their integration, and greater alignment with the state’s broader provider community.

These projects will be accomplished through focused activities across three core domains of transformation including:

- ***Building Infrastructure for Delivery System Reform:*** The hospital transformation program will realign existing supplemental payment funding to support achievement of the program's goals. Hospitals will need time to redirect these funds towards strategic investments to build or expand the organizational, workforce, and systems infrastructure necessary to implement the evidence-based interventions. Examples include:
  - ✓ ***Developing Governance:*** Hospitals will need to establish leadership structures that support and facilitate the needed reforms. These structures will serve as the fulcrum of reform efforts.
  - ✓ ***Workforce Transformation:*** Identifying and transitioning the current workforce to meet the needs of a future state will require significant investments in retraining and redeploying critical direct care and supporting personnel. Hospitals will need to take a measured approach to identifying training needs and anticipating the balance of their personnel under future payment environments.
  - ✓ ***IT Development and Connectivity:*** Developing the ability to collect, share and report data will help hospitals and their partners to drive clinical improvement by forming the basis of value-based payment and a culture of continuous quality improvement and by ensuring that Medicaid providers have the information they need about their patients to provide the best and most appropriate care.

- ***Care Transformation and Delivery System Integration:*** Hospitals will implement evidence-based projects and interventions to: improve care transitions through data exchange and coordination with RCCOs; integrate physical and behavioral health care; and increase the use of data to identify and target improvements toward populations with unmet needs or a heavy burden of disease.
- ***Data-Driven Accountability and Outcome Measurement:*** The collection, sharing, and monitoring of data will enhance care coordination and transitions of care, drive clinical improvement, and enable the measurement of the impact of the hospital initiatives. Hospitals will use data to support a culture of continuous quality improvement.

This concept paper represents a key first step in a statewide discussion around how this waiver will drive health system transformation and allow Colorado to integrate its current reform efforts across the entire continuum of care.

As a genuinely statewide effort, the principles for design of the hospital transformation program are to:

- Raise the bar for collaboration and coordination among stakeholders across the care continuum;
- Ensure the sharing of best practices and needed, decision relevant data;
- Recognize and support the infrastructure and other improvements necessary to help hospitals adapt to value-based payment across Medicaid, the federal Medicare program, and private purchasers.
- Recognize the longstanding and ongoing commitment of the state's hospitals to continuous improvement and collaboration with the Department; and



- Ultimately ensure we are all pulling in the same direction to best achieve care delivery reform.

In keeping with these principles, the Department is committed to engaging internal and external stakeholders throughout this process including the state's hospitals, RCCOs, tribal partners, health plans, LPHAs and the general public. Over the next several months, there will be opportunities to share ideas and comments through a series of webinars, workgroups and public forums as more details emerge regarding the priorities and constructs of this hospital transformation program. The state is excited about the opportunities that the hospital transformation program presents in aligning all of the state's delivery system partners around our shared goals of improved, accessible, and cost-effective health care and in further supporting the hospital community's strong, ongoing commitment to the health needs of all Coloradans.

## II. Background

Colorado Medicaid serves over 1.3 million people. More than seventy percent (70 percent) of Colorado Medicaid beneficiaries are enrolled in the ACC, a program operating under federal authority for Enhanced Primary Care Case Management, and Colorado's primary program for coordinating ambulatory care for its enrollees.<sup>2</sup> A majority of Colorado Medicaid beneficiaries are also enrolled in a Behavioral Health Organization as part of the Community Behavioral Health Services (CBHS) Program. CBHS is a capitated, managed-care carve-out that operates under a 1915(b) waiver. While CBHS provider reimbursement is capitated, and there is some other limited managed care in the Medicaid program, most physical health care services are reimbursed fee-for-service (FFS).

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<sup>2</sup> United States. Colorado Department of Health Care Policy and Financing. Legislative Request for Information - Accountable Care Collaborative. 1 Nov 2015. Web. 23 May 2016.  
<<https://www.colorado.gov/pacific/sites/default/files/Legislative%20Request%20For%20Information%20-%20Accountable%20Care%20Collaborative%20%20-%20November%201%2C%202015.pdf>>



The first phase of the ACC was launched in 2011, and the second phase is expected to begin as early as July of 2018. Since its inception, the ACC has been coordinating the care of its members and increasing connections to expanded care in home and community-based settings. The ACC has thus reduced the need for some inpatient and institutional care and resulted in cost savings for the Medicaid program.<sup>3</sup> Care delivery within the ACC program is organized through seven separate RCCOs across the state. RCCOs are responsible for connecting patients to needed care and ensuring that care is coordinated, in part by assuring that every ACC enrollee is assigned a Primary Care Medical Provider (PCMP), which functions as each patient's medical home.

The second phase of the ACC (ACC Phase II) will advance and sustain the SIM to fully integrate behavioral and physical health care, and continue shifting reimbursement toward a value-based payment system. While the ACC has already demonstrated its ability to bend the cost curve and enable greater access to coordinated services, it is not yet fully integrated with the CBHS Program, Colorado's system of Long-Term Services and Supports (LTSS), or Colorado's hospitals. In its next iteration, the ACC will integrate and align the ACC with the CBHS Program and the LTSS system but does not entail an explicit significant focus on hospitals.

The ACC and SIM also align with the goals of the COP, a coordinated public and private effort involving multiple state agencies, including the Department, as well as non-governmental organizations. The COP aims to help low-income Coloradans enter and stay on a path to economic self-sufficiency by promoting interventions that improve determinants of social mobility across the health, human services, and public health sectors.

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<sup>3</sup> United States. Colorado Department of Health Care Policy and Financing. Accountable Care Collaborative Phase II Concept Paper. 20 Oct. 2015. Web. 11 Apr. 2016.  
<<https://www.colorado.gov/pacific/sites/default/files/ACC%20Phase%20II%20Concept%20Paper.pdf>>

Most of the state's Medicaid reimbursement to providers is based on FFS payments, though over 70 percent of Medicaid members are enrolled in the ACC's care management model. This model has proven successful in aligning patient care with needs and eliminating some unnecessary care among participants. The hospital transformation program will continue Colorado Medicaid's commitment to delivery and payment system transformation by bringing hospitals more purposefully into these arrangements and preparing them for expanded use of value based payments.<sup>4</sup> Since 2010, a significant amount of funding for hospitals participating in Colorado's Medicaid program has come from a combination of the fees assessed on hospitals and matching federal funds. Provider fees are assessed against inpatient and outpatient hospital visits and finance supplemental payments to hospitals. Of these supplemental payments, less than 10 percent are based on performance.<sup>5</sup>

Both the ACC and SIM aim to build a robust, integrated Medicaid delivery system but their emphasis is largely on community-based and outpatient care. Hospitals, however, are a major source of care delivery and point of entry to care across the state. To create a fully integrated system, Colorado must align the state's hospitals with its other ongoing payment and delivery system transformation efforts. By leveraging supplemental payments made to hospitals, the state envisions creating a hospital transformation program which will serve as the vehicle through which the priorities for integration and alignment are achieved through clearly defined goals and financial incentive structures. The hospital transformation program will focus on driving the infrastructure development, partnerships, data sharing, and operational changes needed to ensure the state's acute care hospitals are fully aligned with the priorities of

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<sup>4</sup> United States. Colorado Department of Health Care Policy and Financing. Accountable Care Collaborative Phase II Concept Paper. 20 Oct. 2015. Web. 11 Apr. 2016.  
<<https://www.colorado.gov/pacific/sites/default/files/ACC%20Phase%20II%20Concept%20Paper.pdf>>

<sup>5</sup> United States. Colorado Department of Health Care Policy and Financing. Hospital Provider Fee Oversight and Advisory Board. 23 Feb. 2016 Web 23 May 2016.  
<[https://www.colorado.gov/pacific/sites/default/files/2016\\_2\\_23\\_Presentation.pdf](https://www.colorado.gov/pacific/sites/default/files/2016_2_23_Presentation.pdf)>

ongoing ambulatory reform efforts.

Colorado benefits from the strong dedication of all hospitals throughout the state in serving the health care needs of individuals, families, and their communities. Hospitals' commitment to the goals of improved, accessible, and cost-effective health care is further evidenced by the historical and ongoing collaboration among rural and urban hospitals, the Colorado Hospital Association, and the Department. The hospital transformation program will serve to foster and expand upon these efforts.

### **III. Colorado Hospital Transformation Program Overview**

The hospital transformation program will be open to the acute care hospitals in the state participating in the Medicaid program. Eligibility for receipt of hospital provider fee funded supplemental payments will be dependent upon participation in the hospital transformation program.

Hospitals will independently apply for and participate in the hospital transformation program; however, on a project-by-project basis, hospitals may be encouraged or required to collaborate with one another within relevant geographic areas. Likewise, hospitals will be required to collaborate across projects with their local RCCOs, LPHAs, and community-based organizations whenever possible to strengthen relationships and integrate the delivery system.

The hospital transformation program provides a significant opportunity for the state to continue to support Colorado's hospitals through the provision of supplemental payments tied directly to transformation efforts that will further the goals of system integration, improved patient outcomes, and efficient care delivery.

As envisioned, the hospital transformation program will focus on the following major project areas:

- **Care Coordination and Transition Management:** In this project area, hospitals will work closely with area RCCOs, PCMPs, Single Entry Point Agencies and other providers to improve transitions of care with an aim of improving patient outcomes and reducing avoidable visits.
- **Integration of Physical and Behavioral Health:** Consistent with the focus of the SIM and the state's ACC Phase II vision, and with an understanding of the capabilities and resources in the community, this project area will focus on efforts hospitals can make or expand upon to integrate physical and behavioral health care, whether in the ED, inpatient or outpatient settings.
- **Population Health and Chronic Condition Management:** In this project area, hospitals will engage individuals based on a targeted health care need, whether individuals are significant users of the health system or have chronic health conditions, such as diabetes, cardiovascular disease and asthma. Other subsets of patients will also be a focus including post-partum care for mothers and newborns, discharge planning services, advance care planning, tobacco use and cessation, and care for special populations identified through the project justification.

Within these project areas, funded initiatives will focus on key transformation activities including infrastructure development; data collection, sharing and reporting; innovation and system redesign; clinical protocol improvement; and patient outcomes improvement.

Hospitals that agree to participate in the hospital transformation program and commit a sufficient amount of resources and funding to meet their project milestones will be eligible to receive supplemental funding. Hospitals must complete projects and achieve

milestones to receive funding. Hospitals will be preliminarily awarded implementation funds to offset the investments needed to begin executing projects.

The Department anticipates it will require hospitals to implement projects focused on care coordination and transitions of care, and on physical and behavioral health integration to ensure alignment with SIM and ACC goals. Each hospital will also be required to select projects focused on population health and chronic condition management. Projects must address needs identified in the hospitals' project justification document. The Department will define a set of project areas with associated outcome goals from which hospitals will choose interventions to implement. Critical access hospitals, rural hospitals, and other small hospitals may have fewer projects required to complete than those required by larger hospitals; and these will be targeted to their specific needs. These smaller hospitals may also be required to participate through a regional approach.

The Department will collect and analyze data showing the impact of each transformation project, beginning with baseline data and continuing over the course of the hospital transformation program to identify improvement and allow for course corrections with hospitals. To the extent possible, the Department will leverage its data platforms such as the ACC Statewide Data and Analytics Contractor (SDAC) and the Business Intelligence and Data Management system (BIDM) for this effort, with an ultimate goal of moving providers toward a common performance data platform. The metrics used to measure projects will be aligned with metrics used to track progress and performance in the state's other major initiatives such as the ACC, SIM and the CPC Initiative.

Coordination, reciprocal data sharing, and ongoing collaboration among participating hospitals and others in the community, including RCCOs, will be important for application development, project implementation and operation, and achievement of program goals. This includes access to decision-relevant data in useable and secure

formats. The Department is committed to facilitating this throughout implementation and operation of the program.

#### **IV. Hospital Transformation Program Timeline**

The hospital transformation program will be a five year initiative that will form the basis for integrating the state's hospitals into its already successful models of care coordination through the ACC and SIM. As such, the hospital transformation program timeline will complement the ACC's ongoing organizational and care-specific priorities by focusing the first three years on alignment of infrastructure and care protocols.

Hospitals may use transformation funds to assist in conducting planning activities, including assessments of capabilities and partnerships, and in preparation for developing applications for the hospital transformation program. The applications will identify the projects that hospitals wish to pursue over the course of the hospital transformation program, how these projects will be sustained after the demonstration, as well as any partner organizations, such as other hospitals or community based providers, anticipated to participate in selected projects.

The first year of the hospital transformation program (DY1) will be dedicated to evaluating capabilities and other planning activities. Based on approved applications, hospitals will spend the first year developing implementation plans for submission and evaluation. Plans will include detailed implementation timelines covering the entirety of the hospital transformation program including the roles and responsibilities of each participant's various partner entities. These timelines will be the basis for the evaluation of participants' success during the early years.

Hospitals will be expected to complete a project justification document for their entire service area, with special consideration of and focus on the Medicaid population, to identify key community needs and gaps in care when completing their project

applications and implementation plans. They must also demonstrate their capacity to transform and integrate clinical operations across partners and within local community-based service providers. The Department will require that, where possible, project justification be completed with input from the RCCO, LPHAs and other community partners, and be informed by the data, including relevant data and findings from CHNAs produced for the community. The application to access transformation funds and projects plans contained therein must demonstrate how the latest CHNAs and input from the community was incorporated into the project justification, and the development of applications and implementation plans.

Following the approval of implementation plans at the conclusion of DY1, hospitals will begin focusing on the development of key infrastructure elements needed to facilitate care transformation. DY2 and DY3 will focus on measurable achievement across several categories including:

- ***Building Infrastructure for Delivery System Reform:*** Hospitals will focus on a variety of infrastructure enhancements that will lay the foundation for their projects:
  - ✓ ***Governance:*** Establishing project management offices and appointing leadership personnel, oversight committees and the various transformation workgroups needed to identify infrastructure changes needed, update care protocols, develop and approve long-term budgets, formalize partnership agreements and complete other transformation activities needed to fulfill the goals of the hospital transformation program.
  - ✓ ***Workforce transformation:*** Identifying and planning workforce transformation needs based on project selection and forecasted timelines for completion. The current workforce of each hospital will need to transform through hiring of new staff, re-training of current staff and augmenting capabilities through partnerships with community-based providers. Hospitals will be expected to plan



for this transformation from both budgetary and operational perspectives.

- ✓ ***IT development and connectivity:*** Developing links with existing regional health information exchanges and the implementation of care management (in line with ACC requirements) and population health management tools across the hospital's partner network will be critical in assisting with achievement of project goals, such as data sharing across providers and payers to coordinate care. Hospitals will need to identify tools to fulfill the performance goals of each project and determine their alignment with overall state strategies focused on data interoperability. In addition, hospitals will be required to develop or augment systems to allow for analyzing program data and reporting to the state. The state will leverage its data platforms such as the ACC's SDAC or the BIDM system for this effort.
- ***Care Transformation and Delivery System Integration:*** Hospitals will begin implementing redesigned care protocols and evidence-based health interventions based on selected projects. These interventions will be designed to help the hospitals meet performance goals during the last years of the hospital transformation program. Hospitals will use these updated protocols and interventions to improve the care provided within the hospital and beyond their four walls through strong connections with community-based providers, and extended capabilities to manage patient health following a discharge or emergency department visit.
- ***Data-Driven Accountability and Outcome Measurement:*** Hospitals will collect and use data to monitor and report on the impact of their projects. As part of the hospital transformation program, hospitals will be held accountable for using data to understand and enhance the impact of their reforms on clinical outcomes and population health.

DY4 and DY5 will continue to focus on incentivizing the infrastructure changes needed across participating hospitals and will also begin to reward hospitals based on the reporting of performance improvement measures. Hospitals will have spent three years planning and implementing interventions for safely discharging patients, integrating core aspects of patient care like primary and behavioral health care services, chronic disease management services, and population-based health initiatives. In the latter years of the hospital transformation program, there will be a greater focus on implementing the care process redesign needed to thrive under a total medical expense reimbursement environment with successfully implemented interventions driving improvements in patient outcomes.

Throughout the hospital transformation program, participating hospitals will be required to report progress towards project plan milestones as well as process and outcome performance measures. At the end of the hospital transformation program, hospitals will be expected to have aligned their integration and improvement strategies with those of community partners and with the aims of the state's ACC, SIM and COP initiatives. The hospital transformation program will serve as the bridge needed to drive the adoption of needed integration, infrastructure and updated care protocols to complement the ongoing success seen across the state's ambulatory delivery system. The hospital transformation program will be a critical step in aligning the state's hospital delivery system with other providers.

## **V. Hospital Transformation Program Participant Funding**

The state will fund hospital participation in the hospital transformation program by transitioning current inpatient and outpatient upper payment limit (UPL) hospital supplemental payments where hospital provider fees serve as the state share authorized within attachments 4.19A and 4.19B of section 4.19 of the Medicaid State Plan to support hospital transformation activities, such as project design, implementation, and ultimately demonstrating success in service delivery reform, and

improved performance. Participating hospitals will be eligible to receive supplemental funding contingent on committing a sufficient amount of resources and funding to meet their project milestones. Hospitals must complete projects and achieve milestones to receive funding. To allow hospitals the time necessary to prepare for the repurposing of current funding streams, the state will phase-in the hospital transformation program requirements.

The state will develop a high performance fund to reward hospitals that exceed targeted achievement values throughout the hospital transformation program. In addition, given the unique challenges facing critical access hospitals, rural hospitals and other small hospitals, the state intends to make special provisions for payments for those hospitals. Some supplemental payments for these hospitals may be set aside in a guaranteed fund. Eligible hospitals will receive payments from that dedicated fund based on the expected utilization of hospital services by Medicaid beneficiaries absent the waiver.

## **VI. Waiver Funding**

The Department will fund the non-federal share of the hospital transformation program through the existing hospital provider fee authorized under the Colorado Health Care Affordability Act of 2009 and its approved Medicaid provider tax waiver. The hospital transformation program will maintain budget neutrality by establishing hospital transformation funds for the term of the waiver within the maximum funding that would exist without the waiver. By doing so, the state will ensure that the federal funding leveraged meets budget neutrality requirements. Over the course of the waiver, federal Medicaid expenditures will not be greater than they would have been without the waiver.

The Department may explore other opportunities to potentially increase funding for the hospital transformation program to levels above the current supplemental payment

pools by identifying designated state health programs in operation across the state as well as other potential costs not otherwise eligible for match. The Department will work collaboratively with CMS to ensure budget neutrality throughout the waiver.

## **VII. Measuring Success of the Hospital Transformation Program**

The hospital transformation program will measure its participants' success using its stated goals of measurable progress and achievement of performance improvements. Specific metrics will align with those of the Department's other major initiatives, such as the ACC, SIM and COP. A global waiver evaluation will also be conducted to fulfill federal requirements.

Each hospital will submit a project plan detailing how it intends to accomplish the overall objectives of the hospital transformation program; within these plans will be descriptions of how objective measures of progress will be expressed across different domains of development (governance, workforce, IT, clinical process redesign, etc.). In DY1-DY3, progress will be measured by a hospital's ability to implement changes in their operating model as evidenced by completion of milestones outlined in project plans. In DY4 and DY5, progress will be measured through reporting on related outcome measures. Hospital transformation program performance measures will align with those currently in use by the ACC and other state initiatives and will also include the HQIP program to reinforce current priority improvement areas and align the goals of both inpatient and ambulatory programs.

The Department will engage an Independent Assessor to conduct the assessment of project improvement areas in a transparent and impartial manner throughout the hospital transformation program. This assessment will be based primarily on the achievement of predetermined milestones or process measures, and metrics related to intended patient outcomes. The Independent Assessor's role will be to validate the project plans, clarify all milestones and identify how hospitals will demonstrate that the

objectives of the milestones have been met. Throughout the hospital transformation program, the Independent Assessor will continue to function as the auditor of submitted proof by hospitals and their compliance with milestone requirements. The hospital transformation program will also include a mid-point assessment during DY3 to determine whether project plans merit continued funding or require alterations.

The state will also complete a waiver evaluation to determine whether the hospital transformation program has achieved its intended goals of better system integration, performance improvement, and maintaining budget neutrality. The draft demonstration evaluation design will include the following elements:

- A discussion of the demonstration hypotheses that are being tested including a description of how the state will monitor hospital progress toward expected outcomes;
- A detailed explanation of the proposed methodology for performing a pre and post-hospital transformation program's impact analysis based on key performance metrics; and
- An explanation of data collected for the development of baseline measures and collection methods.

## **VIII. Waiver Development Overview**

The Department values input from the public on the design of this hospital transformation program. Currently the Department envisions developing a core set of external advisors as well a number of stakeholder-driven advisory committees to assist with the overall waiver development and in advising on subsequent documents required following federal approval of the waiver. This concept paper will be shared with stakeholders and the hospital transformation program may be modified based on their

feedback. The committees will focus on the following areas:

- Financing
- Policy
- Metrics Development
- Critical access hospitals, rural hospitals, and other small hospitals
- Client and Consumer Advocate Advisory committee

Complementing other stakeholder outreach and engagement efforts, the Department will follow the Tribal Consultation process as described in its Tribal Consultation Agreement with the federally recognized American Indian Tribes in Colorado as well as the Urban Indian Health Organization.

In addition to the state's hospitals, other key stakeholders will play a vital role in the hospital transformation program's development, including but not limited to the following organizations:

- Colorado Hospital Association
- Colorado Rural Health Center
- Regional Care Collaborative Organizations: Rocky Mountain Health Plans, Colorado Access, Integrated Community Health Partners, Colorado Community Health Alliance, and Community Care of Central Colorado
- Colorado Behavioral Healthcare Council
- Colorado Association of Local Public Health Officials
- Colorado Health Partnerships
- Colorado Health Institute
- Center for Improving Value in Health Care
- Colorado Center on Law and Policy
- Colorado Consumer Health Initiative
- Colorado Coalition for the Medically Underserved



- Keystone Policy Center
- Center for African American Studies
- Colorado Cross Disability Coalition
- La Raza Denver
- Area Agencies on Aging

In addition to the ways the Department will engage with stakeholders, the Department will engage in various steps to solicit public comment and stakeholder input on the waiver application. Before the waiver application is submitted to CMS, the Department will provide for a statewide public comment process on the proposed waiver application. This will include several public meetings and other mechanisms to solicit public input.

The Department may revise the application based on public comments. Once submitted to CMS, the application will undergo an additional federally-run public comment period.

## **IX. Conclusion**

By incentivizing hospitals to invest in infrastructure, transform their workforce, forge connections and integrate across settings and services, and build capacity to measure and improve performance in key areas, Colorado's hospital transformation program will provide the foundation necessary to create an integrated, value-based health care delivery system across the continuum of care. Several elements of the hospital transformation program outlined in this concept paper will assist in driving active participation of hospitals: self-determination in the project planning processes, transparent and measurable goals, the potential to earn high performance funds, the continuation and enhancement of the HQIP, and the opportunity to prepare for the future of alternative payment models and value-based payment.

Colorado is committed to becoming the healthiest state in the nation. To do so, the state is focused on coordinated and aligned initiatives across the following four strategic areas:<sup>6</sup>

- Promoting prevention and wellness
- Expanding coverage, access, and capacity
- Improving health system integration and quality
- Enhancing value and strengthening sustainability

These focus areas are reflected in the successes of and ambitious goals set forth in Colorado's past and current health system delivery reforms: the ACC, the SIM, CPC, and the COP, among others. As a health care safety net, key drivers of patient clinical care, a major segment of medical expenditures, and entry point to the health system, it is vital that hospitals are part of the state's overall transformation efforts. The hospital transformation program will ensure that this major stakeholder in the state's delivery system is aligned in protecting the state's prominent position as an innovator in health care reform and health promotion.

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<sup>6</sup> United States. Colorado Office of the Governor. The State of Health: Colorado's Committee to Become the Healthiest State. Apr 2016. Web. 23 May 2016  
<<https://www.cohealthinfo.com/wp-content/uploads/2014/08/The-State-of-Health-Final-April-2013.pdf>>

