

# Colorado Hospital Transformation Program

---

*Concept Paper*

**January 2019**



**COLORADO**

Colorado Healthcare Affordability  
& Sustainability Enterprise

# Table of Contents

<b>I. Executive Summary .....</b>	<b>3</b>
Program Goals.....	4
Program Focus .....	4
Measuring Program Impact .....	6
A Collaborative Colorado Approach .....	6
<b>II. Background.....</b>	<b>7</b>
<b>III. Colorado Hospital Transformation Program Overview .....</b>	<b>9</b>
Pre-Program Implementation: Community and Health Neighborhood Engagement .....	9
Program Focus .....	10
Hospital Initiatives .....	13
Measuring Program Impact .....	14
<b>IV. Hospital Transformation Program Timeline .....</b>	<b>14</b>
HTP Evolution.....	15
PY0.....	15
PY1.....	16
PY 2 and PY3 .....	17
PY 4 and PY5 .....	17
<b>V. Hospital Transformation Program Participant Funding .....</b>	<b>18</b>
<b>VI. Program Funding .....</b>	<b>19</b>
<b>VII. Measuring Success of the Hospital Transformation Program .....</b>	<b>19</b>
<b>VIII. Program Development Overview.....</b>	<b>20</b>
<b>IX. Conclusion.....</b>	<b>21</b>

## I. Executive Summary

Consistent with the Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) Act of 2017, the Colorado Health Care Affordability and Sustainability Enterprise in concert with 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 the federal authority necessary, to embark on a five year program 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 healthcare affordability and sustainability fees authorized under CHASE. These payments will be used as incentives in a statewide Hospital Transformation Program (HTP) 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 Quadruple Aim's goals of better patient experience, improved health outcomes, improved member experience, 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 the Advanced Primary Care Alternative Payment Model efforts designed to transform the delivery of care and address social determinants of health among the state's most vulnerable populations. Aligning and building upon these efforts to develop a more integrated system, we are now expanding our reform efforts to further encompass the role hospitals play and service delivery transformation and quality.

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, they are also engaged in making an array of clinical, operational, and systems improvements that have long-term impacts on member care. However, there are still significant opportunities for integration 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

---

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



critical areas, and their collaboration and coordination with care providers outside their four walls remains fundamental to successfully navigating these difficult delivery paradigms.

### ***Program Goals***

The HTP will engage the state's acute care and critical access 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 HTP will be the state's first major effort to significantly redirect hospital supplemental payments toward major delivery model growth, maturity, and evolution. 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 annually selected measures. The HQIP represents less than 10 percent of total supplemental payments received by hospitals throughout the year.

The primary goals of the HTP are to:

- Improve patient outcomes through care redesign and integration of care across settings;
- Improve the patient experience in the delivery system by ensuring appropriate care in appropriate settings;
- Lower Health First Colorado (Colorado's Medicaid Program) costs through reductions in avoidable hospital utilization and increased effectiveness and efficiency in care delivery;
- Accelerate hospitals' organizational, operational, and systems readiness for value-based payment; and
- Increase collaboration between hospitals and other providers, particularly Accountable Care Collaborative (ACC) participants, in data sharing and analytics and evidence-based care coordination and care transitions, integrated physical and behavioral care delivery, chronic care management, and community-based population health and disparities reduction efforts.

Furthermore, the HTP 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 that will be the future of reimbursement.

### ***Program Focus***

The HTP 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 alongside the ongoing improvements in care efforts underway throughout the state's ambulatory health care system. The HTP will seek to incentivize processes of care changes that, integrate the Medicaid delivery system and use data to improve care delivery, incentivize value-based payment and serve as a pathway to a robust dynamic health care delivery system that meets Colorado's long-term needs. In alignment with the CHASE Act, the HTP envisions



coordinating and finding efficiencies in care delivery, addressing social determinants, and making efforts towards impacting population health and total cost of care in critical priority areas:

- Care Coordination and Care Transitions
- Complex Care Management for Targeted Populations
- Behavioral Health and Substance Use Disorder Coordination
- Maternal Health, Perinatal Care and Improved Birth Outcomes
- Social Determinants
- Total Cost of Care

As the state's and the nation's payment systems continue to evolve towards value-based reimbursement and integrated systems of care, the state's hospitals are looking for clear direction on future priorities for the Medicaid population. These initiatives, 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 and care community. The initiatives that emerge from the above-mentioned focus areas will be designed to drive improvements in patient outcomes through a transformation of the state's hospitals and their integrated efforts, and greater alignment with the state's broader provider community with the goals to ensure holistic and comprehensive, coordinated services across the continuum of care.

To achieve these overarching priority areas defined in the CHASE Act, the Department has identified key pathways and populations to operationalize efforts and initiatives in the original umbrella priority areas. Through the below pathways populations, the Department seeks to develop lasting and sustainable quality reform:

- High-utilizers
- Vulnerable Populations
- Behavioral Health and Substance Use Disorders
- Clinical and Operational Efficiencies
- Community Development Efforts to Address Population Health and Total Cost of Care

Meaningful engagement with health neighborhoods and community organizations will be a cornerstone of the HTP. As part of the larger statewide effort to enhance dynamic partnerships within the delivery system, the HTP will build on the strong spirit of collaboration within Colorado's health system—and efforts and partnerships already underway. Hospitals will be required to engage community organizations ahead of the implementation of the HTP in order to ensure effective implementation of community-informed initiatives with delivery system impacts and build a basis for successful ongoing collaborations throughout and following the HTP. Hospitals will be expected to continue that community and health neighborhood engagement on a consistent basis throughout the HTP.



### ***Measuring Program Impact***

Program evaluation will be designed to add value to the system through an evidence-based and quality measure-driven approach based on national measure sets and other relevant measures determined by the Department in collaboration with hospitals. The process will assess opportunities for improvement and population needs using claims data to identify the top high cost—high dollar populations, by diagnosis in order to create a benchmark for later data analysis and measurement of program impact.

The Department will work with key stakeholders to refine and develop a final list of quality measures that will be consistent across the State and will include both clinical outcome and process specific measures. Special consideration will be provided to the unique needs of rural hospitals which may operate under a different or abridged set of quality measures.

### ***A Collaborative Colorado Approach***

This concept paper represents a key step in a statewide discussion around how this program 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 HTP 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, processes of care, 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 holistic system of care with a shared vision and mission to best achieve care delivery evolution.

In keeping with these principles, the Department is committed to engaging internal and external stakeholders throughout this process including the state's hospitals, Regional Accountable Entities (RAE), clinics, physicians, tribal partners, health plans, Local Public Health Agencies (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 the HTP. The state is excited about the opportunities that the HTP 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 improving the health and addressing the health needs of all Coloradans.



## II. Background

As of September, 2018, [Health First Colorado](#) (Colorado's Medicaid program) serves over 1.2 million people, with all full benefit members of Health First Colorado 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 Health First Colorado members are also enrolled in a Behavioral Health Organization (BHO) 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).

The first phase of the ACC was launched in 2011, and the second phase began 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 RAEs across the state. RAEs 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) seeks to 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 provides the framework in which other health care initiatives, such as payment reform, can thrive. The Department is committed to aligning performance incentives across the entire delivery system so primary care providers can be successful in the Alternative Payment Model (APM) for Primary Care. For example, the Department has created incentive payment programs for BHOs to support primary care in meeting the demand for services with greater emphasis on screening and detection in the primary care setting. The APM's goals are to provide long-term, sustainable investments into primary care; reward performance and introduce accountability for outcomes and access to care while granting

---

<sup>2</sup> Colorado Department of Health Care Policy and Financing. Putting Colorado's Health First, 2015-2016 Annual Report. 2016. Web. 22 Jan. 2018. [www.colorado.gov/hcpf/hcpf-2015-2016-annual-report](http://www.colorado.gov/hcpf/hcpf-2015-2016-annual-report)

<sup>3</sup> *Id.*



flexibility of choice to PCMPs; and align with other payment reform across the delivery system.

Most of the state's Medicaid reimbursement to providers is based on FFS payments, though all full benefit 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 HTP will continue Health First Colorado'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.

The primary care APM, ACC, and SIM aim to build a robust, integrated Medicaid delivery system but their emphasis is largely on community-based, primary care, 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 HTP 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 HTP 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 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 HTP will serve to foster and expand upon these efforts.

---

<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.

[www.colorado.gov/pacific/sites/default/files/ACC%20Phase%20II%20Concept%20Paper.pdf](http://www.colorado.gov/pacific/sites/default/files/ACC%20Phase%20II%20Concept%20Paper.pdf)



### III. Colorado Hospital Transformation Program Overview

Ultimately, the HTP is designed to focus on aligning Health First Colorado's delivery system to value based payments that supports an improved system of care, with comprehensive coordination with community partners. As part of this endeavor, the Department has conducted extensive research and analysis of other transformative and innovative programs across the nation to identify best practices and a development process and system that is tailored to Colorado's system of care and beneficiary needs. While many of those programs have been instructive in the design of the HTP, this is a Colorado model of care and reflects a structure and framework unique to Colorado.

The HTP will achieve its priorities by emphasizing concepts identified by stakeholders: partnership, quality, delivery system efficiency, shared infrastructure, and transparency. For example, partnership is key to the community health neighborhood engagement and increased collaboration and care coordination process to address avoidable high utilizers of hospital services. Quality is key to ensuring high quality care for vulnerable populations, addressing behavioral health and substance use disorder needs, and achieving clinical and operational efficiencies. Delivery system efficiency and shared infrastructure are key to community development projects and enhancing use of data sharing tools to reduce avoidable high utilizers. Finally, transparency is key in the community health neighborhood engagement process and community development project.

The HTP will be open to the acute care hospitals in the state participating in Health First Colorado. Eligibility for receipt of healthcare affordability and sustainability fee funded supplemental payments will be dependent upon participation in the HTP.

Hospitals will independently apply for and participate in the HTP. On an initiative-by-initiative basis, however, hospitals may be encouraged to collaborate with one another within relevant geographic areas. Further, as a component of this initiative, hospitals may be required to collaborate with their local RAEs, LPHAs, and community-based organizations to strengthen relationships and integrate the delivery system and demonstrate collaboration in their respective initiatives.

#### ***Pre-Program Implementation: Community and Health Neighborhood Engagement***

A cornerstone of the HTP is continued meaningful engagement with community and health neighborhood partners and organizations that provide a broad range of services within the community. It will be critical for hospitals to consult, engage, and be informed by health neighborhoods and community organizations providing relevant services as they plan for their engagement in the HTP. Organizations that should be engaged include (but are not limited to):

- RAEs;
- LPHAs;



- Mental Health Centers, Community Health Centers (including Federally Qualified Health Centers and rural health centers);
- PCMPs;
- Regional Emergency Medical and Trauma Services Advisory Councils (RETACs);
- LTSS Providers;
- Community organizations addressing social determinants of health;
- Health Alliances;
- Consumer advocates / advocacy organizations; and
- Other regional partners.

The state is emphasizing the importance of this engagement in the pre-program period in order to ensure that:

- Community partners' perspectives inform the hospital's identification of the health needs and resources in the community, and the identification of gaps in the current delivery landscape;
- Selection, design, and implementation of initiatives to address community needs are informed by dialogue and partnership with community partners; and
- A culture of communication and collaboration is initiated and fostered throughout the entire HTP between participating hospitals and their community partners.

Hospitals will be required to document—through the Community and Health Neighborhood Engagement process—how they are engaging community partners, the feedback they are receiving, and how they will continue to engage community partners throughout the duration of the HTP. Specifically, hospitals will be required to develop a Community and Health Neighborhood Engagement action plan outlining their engagement strategy and how they will conduct communication engagement at the outset of the process.

Approximately halfway through the Community and Health Neighborhood Engagement process, via a midpoint report, hospitals will update the State on their work over the first half of the process to engage community partners and to complete an evidence-based environmental scan, as well as their plan for completing the pre-program Community and Health Neighborhood Engagement process. This will include submitting their environmental scan findings. Hospitals will submit a final report at the end of the pre-program Community and Health Neighborhood Engagement process, which will focus on their efforts to prioritize community needs, select target populations, identify possible initiatives and any partnerships, and outline future Community and Health Neighborhood Engagement activities over the duration of the HTP.

### ***Program Focus***

The HTP 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.



The framework of the HTP seeks to address key populations as well as six priority areas. The framework allows for hospitals of all sizes and capacities to design reform efforts for populations across the spectrum of health. Consensus was gained on this framework through an extensive stakeholder engagement process which included work groups, webinars, and stakeholder outreach.

As envisioned in the CHASE Act, the HTP will focus on the following six priority areas:

- **Care Coordination and Care Transitions:** 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.
- **Complex Care Management for Targeted Populations:** 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.
- **Behavioral Health and Substance Use Disorder Coordination:** 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. Within the context of the national opioid crisis, a heavy emphasis will be placed on addressing Substance Use Disorder (SUD). With the goal and vision of developing an integrated system, initiative 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 HTP 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.
- **Maternal Health, Perinatal Care, and Improved Birth Outcomes:** Hospital focus could include screening for behavioral health, SUD, and social determinants risks as well as discharge planning and 4th Trimester health. Finally, hospitals will be asked to address maternal mortality and pregnancy depression for new mothers.
- **Social Determinants:** Recognizing and addressing the social determinants of health is central to the HTP. Decreasing food insecurity and increased homelessness support programs, vaccinations for infectious disease, access to primary healthcare, and access to youth wraparound services are some areas in which hospitals will be asked to focus.



- **Total Cost of Care:** Decreasing hospital admissions for uncontrolled chronic conditions, reducing avoidable admissions—or readmissions—for complications of chronic diseases, decreasing resource and material waste, and improved outcomes for high-cost individuals are a few areas where hospitals will be asked to address to impact costs that will ultimately lead to reductions in total cost of care. Additionally, hospitals will be asked to focus on community development efforts to impact population health and reduce the total cost of care of the duration of the HTP.

While these priority areas focus on six identified needs across Colorado, the Department recognizes that these priorities overlap and are often interrelated. To help hospitals focus and address those most in need, the HTP will define several targeted populations. In order to address the six priority areas, the HTP will focus hospital efforts on key processes and populations representing our most fragile, medically needy and at-risk beneficiaries:

- **High-Utilizers:** Hospitals will seek to improve processes of care for high-risk individuals with and without a co-occurring mental health diagnosis. This population may include: individuals with one or more chronic diseases and super-utilizers. Hospitals should aim to increase collaboration with the RAE and other community partners in care coordination, transitions of care, team-based, patient-centered care. Hospitals should also work to enhance data sharing capabilities including the use of data sharing tools to reduce avoidable hospital utilization and encourage right care in the right setting.
- **Vulnerable Populations:** The HTP will take a statewide approach to maternal health, maternal mental health (MMH), end of life care, and suicide prevention. Hospitals will focus on individuals considered to have identifiable risk of entering their care. This population may include individuals at risk for developing a chronic condition; those experiencing housing, food, or domestic insecurity; and pregnant women, new mothers, and newborns. Hospitals are expected to engage community partners and health agencies to drive population health initiatives, better care coordination, increase screenings and preventative care.
- **Behavioral Health and Substance Use Disorder Diagnoses:** The HTP will focus on a statewide approach for SUD to include opioids and alcohol. Hospitals will work with other local providers to improve access behavioral health and substance use disorder services and improve measurement of behavioral health care and hospital utilization and follow-up. Through concerted initiatives, hospitals and local providers will work to integrate physical and mental health services, improve access to mental health and preventative care services, improve and coordinate transitions of care, and reduce overdoses and deaths. All hospitals should work to specifically address and alleviate the opioid crisis.
- **Clinical and Operational Efficiencies:** Hospitals will work to reduce waste, expenses, and potentially avoidable costs and complications. Through resource stewardship and community outreach and care, Hospitals will, among others, utilize emergency department (ED) care coordination, improved data sharing, and telehealth, to improve



clinical and operational efficiencies. Hospitals should aim to use tools to identify Potentially Avoidable Costs (PAC), identify waste and no value/low value services, and grade hospital performance to inform and contribute to the understanding and development of Centers of Excellence.

- **Community Development Efforts to Address Population Health and Total Cost of Care:** The HTP will incentivize, monitor, measure, and evaluate efforts to impact population health and Total Cost of Care (TCOC) in the community including global budgets for select rural hospitals, dual track emergency departments, and conversion of Freestanding Emergency Departments (FSED). Hospitals should seek creative solutions to improving community outreach and support, developing screenings and assessments, and improving care delivery and management, hospitals will reduce the total cost of care, address social determinants of health, improve quality of care and health status.

Within these project areas, initiatives will employ key transformation tools and techniques including infrastructure and resource development; data collection, sharing and reporting; innovation and system redesign; clinical protocol improvement; and patient outcomes improvement.

### ***Hospital Initiatives***

Hospitals that agree to participate in the HTP and commit to meeting their initiative milestones will be eligible to receive funding. Hospitals must complete initiatives and achieve milestones to receive funding.

The Department will define a set of project areas with associated outcome goals from which hospitals will choose interventions to implement with consideration to their identified community needs. Hospitals may be permitted to use existing resources to further the goals of the HTP, insofar as the initiative serve to meet the goals of the program.

Hospitals will be expected to implement near-term impact and long-term impact initiatives. Near-term initiatives will focus on the three identified focus populations: Vulnerable, High-risk, and behavioral health and SUD including maternal health. Other near-term initiatives may focus on increased clinical or operational inefficiencies as identified by the hospitals. Impact of these initiatives will be measured over the first several years of the HTP.

Long-term impact initiatives should consist of efforts that more comprehensively address the six focus areas and targeted populations through a broader community development approach to impact population health and reduce total cost of care over the duration of the HTP.

While both rural and urban hospitals are expected to address all priority areas and targeted populations, the scope and scale of initiatives may differ for rural and smaller hospitals as appropriate and necessary, with approval by the Department. Some rural and smaller



hospitals may also be required to participate through a regional or collaborative approach to gain economies of scale and have a greater impact on outcomes.

### ***Measuring Program Impact***

Hospitals are expected to report on their actions and coordinate with community partners to build an understanding of the processes. The Department will collect and analyze data showing the impact of each transformation initiative, beginning with baseline data and continuing over the course of the HTP to identify improvement and provide opportunities to enhance initiatives or make improvement as needed. To the extent possible, the Department will leverage its data platforms such as the Data Analytics Portal (DAP) and the Business Intelligence and Data Management system (BIDM) for this effort, with an ultimate goal of moving hospitals toward a common performance data platform.

The metrics used to measure initiatives will be aligned with metrics used to track progress and performance in the state's other major initiatives such as the ACC, SIM, primary care APM, and the Comprehensive Primary Care Initiative. National best practices and the experience of similar programs throughout the country have been used in developing these metric sets.

Coordination, reciprocal data sharing, and ongoing collaboration among participating hospitals and others in the community, including RAEs, 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 HTP 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. The HTP is authorized for an implementation date as early as October 1, 2019. The Department will submit a program concept paper to CMS and begin preliminary discussions with this federal partner. Concurrently, the Department will complete the HTP financing model, and identify proposed standard terms and conditions, program assurances, and reporting. During this time the Department will also perform general feasibility analysis to ensure operational readiness to implement the HTP, including evaluation of infrastructure, provider readiness and training needs, and resources for the evaluation of reported data.

Following preliminary feedback from CMS, completion of the financing model, and required public and tribal notice and hearings, the Department will submit its official HTP application to CMS. Given time for federal negotiations, final CMS approval is expected in fall 2019.



## ***HTP Evolution***

During the pre-program period, referred to as program year 0 (PY0), hospitals will engage in a community and health neighborhood engagement process to inform the hospitals' HTP projects and cultivate the meaningful partnerships that will be critical to the success of the overall HTP.

The first year of the HTP will be referred to as PY1 and will be the first of five years of the program. Throughout the program period, the Department will continue its efforts to increase transparency through public reporting on quality measures and hospital utilization. As the HTP evolves, the payment structure will shift from pay-for-reporting and pay-for-action in PY1 to pay-for-quality and pay-for-performance beginning in PY2 to PY3, with the percentage of hospital risk increasing incrementally each year through PY5. As the program matures and into the post-program time period, value-based payments methodologies will be implemented including centers of excellence.

## ***PY0***

In the ramp up to HTP implementation (program year 0, or PY0) hospitals will engage in the pre-program Community and Health Neighborhood Engagement process, a formal planning process with the end-goals of completing an application that is reflective of community-reported need and identifying and cultivating meaningful partnerships which will be vitally important throughout the HTP. The robust formal process will begin with development of an action plan, via which hospitals must outline their engagement strategy and how they will conduct the Community and Health Neighborhood Engagement process, including how the latest CHNAs, any other assessments, and input from the community will be incorporated into the planning, and the development of initiatives and applications. It is expected that the first half of the Community and Health Neighborhood Engagement process will focus on a landscape assessment (of community needs, resources and gaps). In mid-point reports, hospitals will update the State on their work to collaboratively complete an evidence-based environmental scan, as well as their plan for completing the pre-program Community and Health Neighborhood Engagement process and providing opportunities for input on the hospital's planning of its HTP participation over the remainder of the pre-program process.

The process will culminate in the final report, in which hospitals will explain decisions regarding prioritizing community needs and selecting target populations and initiatives. Hospitals will determine mechanisms for engagement in all-provider collaboratives and consensus quality metrics. Hospitals will identify cost drivers, shared platforms for efficient clinical pathways such as e-consults and telehealth, features and attributes to create a shared prescription tool.

During PY0, to support the Department's and hospitals' overall transformation goals, we are committed to investing in the implementation and adoption of technology and data exchange standards to enhance the state's ability to share and receive information from



providers and enable bi-directional communication between hospitals and service providers. Through the adoption of Admit Discharge Transfer (ADT) standards, and implementation of hospital dashboards and report cards, we aim to ensure a seamless transition of care to incentivize comprehensive coordination of care that is data informed. The Department also plans to invest in the development and implementation of a hospital index and health waste calculator to better inform cost drivers and monitor health outcomes. These technology investments will serve to support the program and move the state and its providers to more accountable and coordinated system of care.

### ***PY1***

Program implementation (PY1) will begin on October 1, 2019, beginning with hospitals submitting program applications, which will include both a Hospital Overview and an Initiative Overview section. The Hospital Overview Section will require hospitals to provide points of contact, articulate its vision for how it will achieve the goals of the HTP, and describe how the hospital's HTP efforts will be incorporated into the hospital's project management structure.

For each proposed initiative, the hospital must complete an Initiative Overview section in order to clearly articulate the scope and goals of the proposed initiative and its nexus to the HTP and community needs. Hospitals must also provide information about how the initiative will be implemented including the engagement of any partners, how it aligns with existing initiatives and resources, and expected return on investment and metrics.

Subsequently, hospitals will be dedicated to developing implementation plans for submission and evaluation. Plans will include detailed implementation timelines covering the entirety of the HTP including the roles and responsibilities of any partner entities, critical milestones they intend to meet, estimated project cost and any potential return on investment, reporting components for process related activities actions. These timelines will be the basis for the evaluation of hospitals' success during the early years

During this program period hospitals will be expected to adopt state implemented tools and standards that support quality improvement and service coordination efforts. This includes:

- State-wide use of data-sharing tool with real-time data exchanges between hospitals and community partners and adherence to reporting standards
- Reporting on standard HEDIS measures for maternal mental health and other state required measures,
- Adopting and reporting on nationally and/or state specific screening tools and best practice guidelines (e.g., Maternal Health Screening for Social Determinants of Health, Alternative to Opioids in the emergency department and post-surgical prescribing, use of prescribing tool)
- Use of tools to identify high quality/low cost centers of excellence



- SUD waiver (when implemented), inpatient SUD/residential treatment use of IP beds where there is identified need and available capacity

Hospitals projects must include a focus on assessing the impact of total cost of care for identified priority populations based on their community health needs assessment. Hospitals efforts over the five years should consider the communities capacity and identified need, as compared to existing infrastructure, to evaluate opportunities to reform the delivery system over time.

### ***PY 2 and PY3***

In PY2 and PY3, hospitals will focus on initiatives with measurable impacts that have been benchmarked in PY1. These near-term initiatives will focus on the three identified key populations—vulnerable, high-risk, and behavioral health and SUD—and maximizing efficiencies. Throughout this program period, the state will continue its efforts to increase transparency through public reporting on measures and utilization and begin to shift the payment structure from a pay-for-reporting to a pay-for-quality methodology based on state defined metrics with the percentage of hospital risk increasing incremental each year.

In addition to the state’s efforts to enhance technology and ensure a long-term focus system-wide system transformation in PY 0 and PY 1, there are number of legislatively mandated initiatives that hospitals will be required to comply with as part of this program including:

- Use end of life education tool and Advanced Care Plan repository when implemented
- Expanded adoption and reporting on opioid prescribing guidelines to include post-surgical and chronic pain/chronic low back pain

These initiatives will serve to further enhance care to members and reduce potential clinical complications.

### ***PY 4 and PY5***

PY4 and PY5 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 HTP, there will be a shift to Value Based Payments (VBP) with 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.

Hospitals should explore initiatives such as:



- Community development project implementation and evaluation, such as dual-track emergency departments and conversion of FSED
- Hospital Index, health waste calculator, hospital report card
- Center of excellence partnership and implementation

The focus of initiatives will begin to shift toward efforts to address population health and total cost of care.

Throughout the HTP, participating hospitals will be required to continue an ongoing Community and Health Neighborhood Engagement process to inform their efforts.

Participating hospitals will also be required to report progress towards project plan milestones as well as process and outcome performance measures. At the end of the HTP, 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, Primary Care, and SIM initiatives. The HTP 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 HTP will be a critical step in aligning the state's hospital delivery system with other providers.

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

CHASE, in concert with the Department, will fund hospital participation in the HTP by transitioning current inpatient and outpatient upper payment limit (UPL) hospital supplemental payments where healthcare affordability and sustainability 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.

Under this program, the Department seeks to waive the Medicaid Voluntary Contribution and Provider-Specific Tax Amendment of 1991, section 1903(w)(1)(A) of the Social Security Act to allow flexibility in the distribution of monies to hospitals in an effort to fund Delivery System Reform. The Department proposes to calculate the percent of annual net patient revenue for inpatient and outpatient services, collected through the provider fee, as an aggregated amount throughout the five-year program period, applying the methodology approved in the State Plan. The aggregate amount will be placed in a "hospital transformation funding" category and used to support delivery system reform. Monies in this category will be distributed to hospitals, irrespective of a hospital's designation (state-owned, non-state public or private hospital), apportion to their aggregated estimated supplemental payment amount throughout the program period. Payments to hospitals will be contingent on hospitals meeting respective transformation goals, reporting timely and accurate data, and achieving the state's defined quality metrics as articulated in the program. Hospitals may receive payments from the "hospital transformation" category in excess of six-percent for the first years of the program, but will be limited to no greater



than six percent across the five-year program period, as identified in the estimated aggregate payment. Consistent with other similar approved programs, major changes in caseload associated with events such as economic recession will be monitored and adjustments may be made to the budget neutrality calculation as needed and negotiated with the CMS.

In addition to the monies collected through the general hospital transformation funding category, the Department also proposes to evaluate utilization-based cost to identify savings across the program. We propose to place monies saved through the program in a separate "shared-saving" financing category under the program and use dollars attributed to reduction in utilization to reinvest in the system and further our goals for system transformation through state-approved initiatives and quality payments to Medicaid hospitals. These payments will not exceed the projected five-year budget for the program.

Participating hospitals will be eligible to receive supplemental funding contingent on meeting program requirements and 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 HTP requirements. In addition, given the unique challenges facing critical access hospitals, rural hospitals, and other small hospitals, the state is considering making special provisions for those hospitals.

## **VI. Program Funding**

On May 30, 2017, the governor of Colorado signed Senate Bill 17-267, Concerning the Sustainability of Rural Colorado, into law. This action repealed the Colorado Health Care Affordability Act (CHCAA) at Section 25.5-4-402.3, C.R.S. effective June 30, 2017 and created the CHASE at Section 25.5-4-402.4, C.R.S. effective July 1, 2017. CHASE is a government-owned business that operates within the Department for the purpose of charging and collecting the healthcare affordability and sustainability fee to obtain federal matching funds to provide business services to hospitals.

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

The HTP will measure hospital 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. A global program evaluation will also be conducted to fulfill federal requirements.

At the start of PY1, each hospital will submit a project application that includes identification of metrics on which success of the hospital's efforts will be measured.

For PY1-5, the Department will conduct the assessment of project improvement areas in a transparent and impartial manner throughout the HTP. This assessment will be based primarily on the achievement of predetermined milestones or process measures, and metrics related to intended patient outcomes and will include validating the project plans,



clarifying all milestones and identifying how hospitals will demonstrate that the objectives of the milestones have been met. Throughout the HTP, hospitals will have to submit evidence of their compliance with milestone requirements. The HTP will also include a mid-point assessment during PY3 to determine whether project plans merit continued funding or require alterations.

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

- A discussion of the program 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-HTP's impact analysis based on key performance metrics; and
- An explanation of data collected for the development of baseline measures and collection methods.

### **VIII. Program Development Overview**

The Department values input from the public on the design of the HTP. Currently, in addition to oversight from the CHASE Board the Department has developed a core set of external advisors, hospital workgroups, Department subject matter experts as well as industry stakeholders to assist with the overall program development and in advising on subsequent documents required following federal approval of the program. This concept paper will be shared with stakeholders and the HTP 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

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 HTP's development, including but not limited to the following organizations:

- Colorado Hospital Association
- Colorado Rural Health Center
- 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 Center for Health Progress
- Keystone Policy Center
- Center for African American Studies
- Colorado Cross Disability Coalition
- La Raza Denver
- Area Agencies on Aging
- Regional Accountable Entities (RAEs)

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 program application. Before the program application is submitted to CMS, the Department will provide for a statewide public comment process on the proposed program 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**

Colorado's HTP will provide the foundation necessary to create an integrated, value-based health care delivery system across the continuum of care. Several elements of the HTP 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 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:

- 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, primary care APM the SIM, and the CPC, 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 HTP 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.

