# COLORADO DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

**REPORT TO THE JOINT BUDGET COMMITTEE**

**INTEGRATED CARE AND FINANCING PROJECT**

**DECEMBER 2000**

## Integrated Care and Financing Project

**Report to the Colorado Legislature**
**December 2000**

## Executive Summary

The integration of acute and long term care services, and the integration of Medicaid and Medicare financing, will improve the organization of medical care and supportive services for the frail elderly and persons with disabilities. Integrated care is designed to improve the accountability, flexibility, appropriateness and cost-effectiveness of health care delivery. A major concern in the delivery of cost-effective services is the fragmentation of financing and responsibility for patient care. In spite of overlapping populations, Medicare and Medicaid currently maintain wholly separate contracting, reimbursement and quality standards for managed care organizations. If managed care providers are to be effective in providing the most appropriate and cost-effective care to meet a client's need, they must have available the entire continuum of care.

The problem of fragmentation between Medicare and Medicaid is not new. Since the late 1970s, policymakers have been looking for ways to end the waste and inappropriate usage due to fragmentation inherent in a fee-for-service system that funds different types of care through multiple funding sources. Because of this, the State of Colorado is seeking ways to deliver health care to individuals in its Medicaid program with better client outcomes while being more cost-effective.

The Integrated Care and Financing Project is developed as a fully-capitated Medicaid and Medicare pilot program. The Project will address issues of poor coordination between acute and long term care systems, cost shifting between Medicaid and Medicare, weak focus on preventive care, and the risk of poor health outcomes for clients. Combining acute and long term care together in a managed care environment is anticipated to facilitate more rational, efficient and economical clinical approaches for services. With the integrated service delivery model, services and funds can be directed toward providing more preventive and community-based care and avoiding unnecessary hospital and nursing facility admissions.

Benefits to consumers enrolled in the project include: improved access to services; increased effective care (stemming from prevention, early intervention, care coordination and integration of care); and additional responsive care without rigid, pre-defined service program restrictions.

The Integrated Care and Financing Project was originally designed for implementation in Mesa County with the Department partnering with Rocky Mountain HMO and Mesa County Department of Human Services. The Department applied to the Health Care Financing Administration for a waiver of Section 1115 of the Social Security Act. Just as the Department was preparing to implement the Project in Mesa County, Rocky

Mountain HMO decided to put the project on hold due to a contract dispute with the Department concerning their existing Medicaid acute care contract.

With the withdrawal of Rocky Mountain HMO from the Mesa County Project, the Department decided to begin to develop the Integrated Care and Financing Project for implementation in the Denver metropolitan area. The Department has spent the last several months meeting with an advisory committee to develop the design components appropriate to the five-county metropolitan area. After working with the advisory committee, the Department developed the rules and regulations specific to the Denver Integrated Care and Financing Project. The rules were presented to the Medical Services Board and passed with an effective date of November 2000. At this time, the Department is working closely in anticipation of negotiating contracts with HMOs in the Denver metropolitan area to implement this Project.

The Department continues to work with Rocky Mountain HMO, Kaiser Permanente HMO, Total Long Term Care, and Colorado Access to develop an integrated care system for Medicaid and Medicare dual eligible clients to improve client outcomes in a more cost-effective manner. The Department is committed to working with providers, advocates, consumers and family members to design and implement a smooth delivery system. This system will address the poor coordination between acute and long term care services while increasing the focus on preventative care and better health outcomes for all individuals.

# Designing the Integrated Care and Financing Project

## I. Background

The State of Colorado is seeking ways to deliver health care to individuals in its Medicaid program with better client outcomes and more cost-effectiveness. As elderly and disabled populations account for almost three-fourths (75%) of the Medicaid program's expenditures, efforts for cost-effectiveness in serving these populations have the greatest potential for significant impact. Individuals with disabilities and/or chronic conditions typically need a combination of medical and non-medical, supportive services in order to maintain functioning and independence. These individuals frequently are eligible for both Medicaid and Medicare and receive services from both the acute care and long term care service systems. While both Medicaid and Medicare cover acute care needs, Medicaid is the main funding source for long term care services for persons with low incomes. Currently, the acute care and long term care service systems are defined and administered separately, are not well coordinated, and have different benefit packages with different eligibility rules. There can be incentives to over serve, as well as to shift costs between Medicaid and Medicare, and there are few incentives to focus on preventive care.

Because of the need to deliver health care more efficiently, the state authorized the Department of Health Care Policy and Financing (the "Department") to design and implement the Integrated Care and Financing pilot project through C.R.S. 26-4-122.

## II. Pilot Program

Mesa County

The Integrated Care and Financing Project (ICFP or the "Project") was originally developed as a fully-capitated Medicaid and Medicare pilot program in Mesa County. The Department partnered with Mesa County Department of Human Services and Rocky Mountain HMO to design the Mesa County pilot. The Department applied for waivers of Sections 1115 and 222 of the Social Security Act on September 28, 1995. On July 1, 1997, the Health Care Financing Administration (HCFA) granted Colorado these required waivers, with the exception of the requested Medicare reimbursement methodology. In the months following waiver approval, Colorado engaged in a series of negotiations with HCFA over a Medicare reimbursement methodology for the Integrated Care and Financing Project. While the State's Medicare reimbursement proposals consistently met the budget neutrality requirement, we were unable to reach an agreement with HCFA on a Medicare capitation rate methodology. Therefore, the Department and its partners developed an integrated care program that would meet the intent of the original design and remain within the constraints of what

HCFA approved. Just as the Department was preparing to implement the Project in Mesa County, one of our partners, Rocky Mountain HMO determined they could not move forward with the Project at this time. The basis for their decision was a contract dispute Rocky Mountain HMO has with the Department concerning their existing Medicaid contract. Once the contract dispute is settled, the Department will again pursue implementation of the Integrated Care and Financing Project in Mesa County.

Denver Metropolitan Area

The Department has begun to develop a fully capitated Medicaid and Medicare Integrated Care and Financing Project for implementation in the Denver metropolitan area. The Department is focusing implementation in the following five counties: Adams, Arapahoe, Denver, Douglas and Jefferson. The Department will not seek federal waivers; instead the Project will be implemented based on Section 1915(a) State Plan authority of the Social Security Act. The Integrated Care and Financing Project in the Denver metropolitan area will work on addressing the issues of poor coordination between acute and long term care systems, cost shifting between Medicaid and Medicare, weak focus on preventive care, and the risk of poor health outcomes for clients. The Integrated Care and Financing Project will show that combining acute and long term care together in a managed care environment will facilitate rational, efficient and economical clinical approaches to care. The Medical Services Board approved rules and regulations for the Integrated Care and Financing Project for the Denver metropolitan area with a November 2000, effective date.

## III. Program Eligibility

Mesa County

The Integrated Care and Financing Project for Mesa County includes all individuals who are Medicaid eligible and those who are dual eligible for Medicare and Medicaid. The Project will not change any of the current Medicaid eligibility requirements. Existing Medicaid clients of Rocky Mountain HMO will be enrolled in the Integrated Care and Financing Project and all dual eligible clients will be required to make an affirmative choice to enroll in the ICFP.

Denver Metropolitan Area

The Integrated Care and Financing Project in the Denver metropolitan area will not change the Medicaid eligibility requirements. The Project will voluntarily enroll dual eligible Medicare and Medicaid individuals, and Medicaid-only eligible individuals, who are 18 years of age or over, and meet the nursing facility level of care.

IV. Program Benefits/Services

Mesa County

The health care and supportive services under the Integrated Care and Financing Project are the same as those currently under the Medicaid State Plan. Rocky Mountain HMO, under the State plan, is responsible for providing the following benefits: physician services; laboratory and x-ray services; inpatient hospital; prescription drugs; outpatient hospital; family planning; home health; early periodic screening diagnosis and treatment; medical equipment and supplies; ambulance and vision services. Some benefits are a shared responsibility between Rocky Mountain HMO and Medicaid fee-for-service such as physical therapy and nursing facility services. Other services are the sole responsibility of the Medicaid fee-for-service system such as: long term nursing facility care; home and community based services (including personal care, assisted living, adult day care, non-medical transportation, etc.); hospice care.

Under the Integrated Care and Financing Project, Rocky Mountain HMO will be responsible for providing all for the above listed services and state-only services of Home Care Allowance and Adult Foster Care services. The Mesa County Single Entry Point agency which provide long term care assessment, care planning, case management and community service referral will be included in the Integrated Care and Financing Project. Mental health and developmental disability services will continue to be organized and provided through the mental health capitation project or the local Community Centered Board.

Denver Metropolitan Area

The services to be provided by a Health Maintenance Organization (HMO) contractor in the Denver metropolitan area will include all of the Medicaid HMO benefits listed above, the Medicare HMO benefits and the Medicaid long term care services. The major difference in the benefit package for the Denver Project is the carve-out of the state-only programs of Adult Foster Care and Home Care Allowance. Also, the HMO will provide the Home and Community Based Services for the Mentally Ill (HCBS-MI) in the Denver metropolitan area Project.

There are two major exceptions to the benefit coverage in the Integrated Care and Financing Project. Mental health services will not be covered through the Integrated Care and Financing Project. Mental health services are covered by the mental health capitation project. The other exception is the specialized services for persons with developmental disabilities. The Intermediate Care Facilities for Mentally Retarded services and all the Home and Community Based Services for persons with developmental disabilities will continue to be organized and provided through the local Community Centered Board. These services will not be the responsibility of the Integrated Care and Financing Project.

The Denver ICFP will incorporate the full integration of Medicare and Medicaid financing and service delivery. This integration is expected to increase client outcomes while maintaining cost-effective services, which have the potential for significant impact on the client's care. These services will address the need of

combining medical and non-medical supportive services within a managed care environment. The HMO will accrue Medicare savings while maintaining the client in the less restrictive environment and improving quality of care to all enrolled individuals.

V. Program Components

The Integrated Care and Financing Project was designed as a multifaceted approach to developing long term care financing and service delivery capacities in Colorado. The principal objective of the ICFP is to develop a capitated, integrated acute and long term care service delivery model.

The goal of the service delivery innovation is to combine preventive, primary, acute and long-term care services for Medicaid-only, and Medicare and Medicaid dual eligible, into a coordinated system of managed care. The Project produced the following components: a) waiver approval from HCFA for the Mesa County pilot program, the Denver metropolitan area design does not require a HCFA waiver; b) calculations for Medicare rate methodologies for the Mesa County pilot, the Denver metro pilot does not require different Medicare rate methodologies; c) Medicaid long term care rate methodologies for Mesa County and the Denver metropolitan area; d) promulgation of new state program rules and regulations; e) development of an HMO contract amendment; f) development of an operational protocol (program manual) for Mesa County; g) integration of program responsibilities at the HMO; h) implementation of a care coordination model; i) implementation of an computerized care coordination information system for the Mesa County pilot.

a) *Waiver Approval*

Mesa County

On July 1, 1997, the Department formally received approval, from HCFA of the waivers requested under Sections 1115 and 222 of the Social Security Act. This approval permits implementation of a capitated, integrated acute and long term care service delivery system. However, the waiver approval contained certain Terms and Conditions with which the State must comply, including the methodology for determining Medicare capitation payment rates and the Medicaid budget neutrality cap.

The Terms and Conditions for the waiver were approved by HCFA in September 1999. The Department was working on implementation of the Mesa County ICFP when Rocky Mountain HMO decided to pull out of the Project until their disagreement with the Department on HMO rates was resolved. At this time the Mesa County Integrated Care and Financing Project is on hold.

Denver Metropolitan Area

In October 1999, the Department chose to design an integrated care project in the Denver metropolitan area. Changing the Project design from one semi-rural area with only one Medicaid HMO to a five-county urban area with five Medicaid HMOs required multiple changes in the design of the Project. The ICFP Denver metropolitan area Project does not require a HCFA waiver. The Department has the authority to provide integrated care and financing in the Denver metropolitan area through Section 1915(a) State Plan authority of the Social Security Act. Section 1915(a) allows the State to provide additional services, such as the long term care services, by amending our existing Medicaid HMO contract to individuals eligible for Medicaid.

*b) Medicare Rate Methodology*

Mesa County

The Medicare payment methodology options included in the Terms and Conditions were either the standard Medicare risk capitation methodology or a weighted average of costs for all Mesa County Medicare-only and Medicare and Medicaid dual eligible clients in 1995. The State agreed to this Medicare payment methodology approach in concept without having an opportunity to do the calculations, as the necessary Medicare data from HCFA was not yet available. Once the Medicare calculations were completed, it became clear that the methodology was problematic. The new Medicare capitation rate calculation would require a 33% reduction from the amount currently paid to Rocky Mountain HMO. The HMO could not be expected to participate at this reduced level.

On March 3, 1998, the Project submitted two new alternative Medicare payment methodologies to HCFA. Both proposals were based on dual eligible Medicare and Medicaid clients, and excluded Medicare-only clients, as they are not eligible for participation in the Project. Each of the two proposals was budget neutral as required by the federal waiver authority.

Over the next seven months Colorado engaged in a series of negotiations with HCFA over a Medicare reimbursement methodology for the Integrated Care and Financing Project. On October 5, 1998, HCFA clearly stated their disagreement with the multiple rate setting methodologies Colorado had offered and acknowledged the inability to reach agreement on a Medicare capitation rate methodology. As a result, the Department decided to carve out comprehensive Medicare financing and accept the current Medicare cost-based capitation for Medicare part B services and fee-for-service payment for Part A and out of plan services. Even with this partial carve-out of Medicare financing, over 80% of the funding for dual eligibles would still remain as capitated payments to Rocky Mountain HMO.

Denver Metropolitan Area

The ICFP Denver metropolitan area pilot does not require a different Medicare reimbursement methodology. The Project will use the standard Medicare risk capitation methodology. The Denver Project requires the contracted HMO to be a licensed Medicare Plus Choice HMO. The contracted HMO would continue to receive their Medicare capitation reimbursement for enrolled ICFP members from Medicare, therefore, eliminating a different Medicare reimbursement methodology.

*c) Medicaid Long Term Care Rate Methodology*

Mesa County

The methodology used in calculating Medicaid long term care (LTC) per member per month (PMPM) rates for the Integrated Care and Financing Project is based on actual long term care expenditures for the base year. Medicaid LTC rates were designed to include all of the LTC costs paid by Colorado Medicaid for clients in Mesa County minus a 5% managed care discount. The separate long term care rates were based on Medicaid expenditures for six different categories of long term care services (nursing facilities, home and community based services, hospice, adult foster care, home care allowance, and single entry point payments) and three different eligibility categories. The LTC rates would be paid in addition to the acute Medicaid rates currently paid by the terms of the existing HMO contract with Rocky Mountain HMO**.**

Denver Metropolitan Area

Medicaid LTC rates for the Denver metropolitan area are designed to include all of the LTC costs currently paid by Medicaid for clients in the Denver metropolitan area, minus a 5% managed care discount plus the Single Entry Point (SEP) administrative costs for LTC case management. The Denver Project long term care costs consist of payments for four different categories of LTC services for Medicaid clients (nursing facility, home and community based services, hospice, Single Entry Point). This is a change from the Mesa County ICFP in that there were six different payment categories used in the Mesa Project. Home Care Allowance and Adult Foster Care payments were carved out of the Denver metropolitan area rate because including those payments in the capitated rate paid to an HMO would adversely affect clients' eligibility for Medicaid and public assistance payments. Home and Community Based Services for the Mentally Ill (HCBS-MI) payments were included in the LTC rate calculations.

Rates were calculated for three different categories of elderly and disabled clients who meet the nursing facility level of care (NFLOC). The LTC rates will be paid in addition to the Medicaid acute rates developed by the Provider Rates Section of the Department. Also, the HMO will receive the Medicare Plus Choice rate from the Health Care Financing Administration. The

Medicaid long term care per member per month rates paid to the HMO would be capitated at no more than 95% of fee-for-service at the time of Project implementation in the Denver Metropolitan Area.

*d) New State Rules and Regulations*

Mesa County

Rules and regulations specific to the Integrated Care and Financing Project were presented to the Medical Services Board in the fall of 1997. The rules were effective December 1997. The Department received the approved Terms and Conditions from HCFA on September 21, 1999. At this time, the Department amended the Integrated Care and Financing Project rules to incorporate elements of the HCFA Terms and Conditions for Mesa County, and submitted them to the Medical Services Board for passage in November 1999. Unfortunately, the Department received notification on November 7, 1999, from Rocky Mountain HMO that they would be withdrawing from the Project. The ICFP Mesa County rules were withdrawn from the Medical Services Board on November 12, 1999. The Medical Services Board has been and continues to be extremely supportive of the Integrated Care and Financing Project since its inception and expressed deep concern for the citizens of Colorado who will not benefit from the Project at this time.

Denver Metropolitan Area

The Denver metropolitan area advisory committee consisted of several members from the Mesa County advisory committee as well as new members representing the Denver metropolitan area. This committee met diligently twice a month for several months to discuss program design components. Advisory committee members provided insightful input into the design of the Project. This committee conferred on the Project design which includes: Medicaid services; voluntary or mandatory enrollment; eligible age groups; integrated financing; target population; levels of care; managed care organization requirements; quality assurance requirements; care coordination. After working with the advisory committee, the Department developed the rules and regulations specific to the Denver Integrated Care and Financing Project. The rules were presented to the Medical Services Board in August and September, and passed with an effective date of November 2000.

*e) HMO Contract Amendment*

Mesa County

A draft of the HMO contract amendment has been developed that incorporates specific operational details related to the ICFP Mesa County rules and regulations, as well as items required for inclusion from the original waiver Terms and Conditions. The HMO contract also reflects the programmatic integration of Medicare services without the corresponding funding integration of a fully capitated Medicare payment methodology. The

Department reviewed the revised waiver Terms and Conditions, which were approved by HCFA on September 21, 1999, and determined that only minor items were needed to amend the contract.

Denver Metropolitan Area
The Managed Care Contracting Division of the Department is modifying the Medicaid HMO contract with an expected completion date of December 1, 2000. Once the Department has a firm commitment with an HMO to implement this Project, we will review the draft contract amendment to include the most recent updates.

*f) Operational Protocol*

The operational protocol is a detailed document that reflects the operating policies and administrative guidelines for the Project. This document is utilized as a program manual.

Mesa County
The waiver Terms and Conditions require the development of an operational protocol addressing key items of program operations. Each section must be reviewed and approved by the ICFP's Project officer at HCFA. To date, HCFA has received the completed operational protocols. The operational protocols address the Project's organizational structure, benefit package, clinical management system, eligibility process and simplification, encounter data, enrollment process, family planning services, federally qualified health centers (FQHCs), quality assurance measures, financial reporting, marketing and outreach, organization of managed care networks, and pharmacy benefit. At this time, the Department has asked HCFA to suspend review of the protocols except for the responses to the Review Criteria for Children with Special Needs. The Department has not asked for a revocation of our waiver authority for the Integrated Care and Financing Project in Mesa County.

Denver Metropolitan Area
The Integrated Care and Financing Project for the Denver metropolitan area does not need a waiver, therefore, we are not required to develop operational protocols. The Department will modify the existing protocols to use as training documents for the contracted HMO and metropolitan area providers.

*g) Program Integration*

Mesa County
As the managed care contractor responsible for providing integrated services, Rocky Mountain HMO spent considerable time during 1997 developing draft contracts for long term care services. Initially, there were disputes with some of the local nursing facilities around rates, timeliness of payments and the interaction between Rocky Mountain HMO's service authorization

mechanisms and federally mandated nursing home quality assurance mechanisms. After a series of meetings between the nursing facilities, Rocky Mountain HMO and Department staff, these issues were addressed.

The implementation delays during 1998 and 1999 coincided with a downturn in Rocky Mountain HMO's financial status. Consequently, HMO staff that had been dedicated to working on the Integrated Care and Financing Project was re-assigned to other duties. As a result, there has been no additional progress in the development of contracts with long term care service providers.

Denver Metropolitan Area
When the Department obtains a commitment from an HMO(s) to provide Integrated Care and Financing Services in the Denver metropolitan area, we will review the sub-contracts with providers and offer integrated care coordination training to the providers and technical assistance to the HMO(s).

*h) Care Coordination Model*

Mesa County
The Care Coordination Team (CCT) membership includes the care coordinators from Mesa County Options for Long Term Care, medical professionals such as a physician, physician extender, registered nurse and non-medical professionals, as well as the client, a family member, or a caregiver. The principal role of the CCT is to evaluate client information, prepare a detailed care plan responsive to that information, assure that all planned services are appropriate, and monitor the client's health outcomes. In preparation for ICFP implementation, the CCT has combined the State's Uniform Long Term Care Client Assessment Instrument (ULTC-100) with additional general health questions. This combined assessment instrument was piloted and is now in full use in Mesa County. The CCT has been using care plans that go beyond current Home and Community-Based Services (HCBS) program restrictions, as planned under the Integrated Care and Financing Project.

Denver Metropolitan Area
The Care Coordination Team for the Denver metropolitan area will use the same framework as Mesa County, including medical professionals, providers, the client, the clients designated representative, a family member or a caregiver. Primary care coordinators will coordinate the care and communication between the client and caregiver and acute and long term care providers. The care coordinator will be the prime leader on the Care Coordination Team. The team will be under the direction of the HMO, but shall obtain consultation and involvement with other agency case managers, long term care providers, the client, caregiver and family members in the

decision making. The Care Coordination Team will authorize all long term care services while coordinating acute care services.

*i) Care Coordination Information System*

Mesa County

Mesa County Options for Long Term Care Agency has developed an automated client information system, the Care Coordination Information Network (CCIN), to facilitate care management activities. The CCIN contains linked modules for client demographics, assessment information, care plan development, status monitoring and case notes. All of these modules were implemented as of May 1, 1999. The provider notification and communication module, which is designed to transmit electronic mail to primary care physicians and other providers when certain events occur or client status alters, is on hold until ICFP is implemented in Mesa County. The CCIN will continue to be used by the Mesa County Options for Long Term Care Agency for long term care clients.

Denver Metropolitan Area

The contracted HMO(s) will be required to have a care coordination information system in place before implementation of the Integrated Care and Financing Project. The HMO(s) may design their own with technical assistance from the Department, or they may investigate the option of using Mesa County's Care Coordination Information Network (CCIN).

## VI. Quality of Care

Providing good quality care is an important part of the Project. There will be two basic quality assurance goals. The first is to ensure that integrated acute and long term managed care does not decrease access to care or diminish the quality of care. Second, the Project seeks to demonstrate that the integration of care results in positive client outcomes and greater client satisfaction while not increasing costs. These quality assurance measures will be compared to the quality of care information available from other managed care entities, the Medicaid fee-for-service program and industry standards. Acute and ambulatory care quality measures will continue to be required by the State Medicaid Program and Federal Medicare Program.

The Department has developed project-specific measures, which focus on tracking quality across care settings. The Department developed HEDIS-like measures to evaluate the Project. Some of the quality measures included are: reduce hospital and nursing facility admissions and emergency room visits; improve coordination and management of care between long term care and acute care services; improve health and social condition; improve access; assure quality of services.

VII. Satisfaction Survey

The Integrated Care and Financing Project is committed to making sure that clients are satisfied with the service and care they receive. Clients who have been enrolled in the Project for twelve months will be asked to reply to a client satisfaction survey. This survey will measure the client's satisfaction with the Project, service utilization, access to long term care services and coordination of care.

In addition, a provider satisfaction survey will be conducted within twelve months of Project implementation. The provider survey will cover both acute and long term care providers, and will sample a variety of physician and non-physicians specializing in long term care. The survey will examine a variety of topics including: provider risk-sharing and contracting arrangements, provider satisfaction; degree of care coordination and integration; perceptions of the Project's Care Coordination Information Network.

VIII. Expected Outcomes

The Project will test the flexibility of tailoring care plans to individual client needs without the usual long term care program boundaries. This flexibility will achieve positive client health outcomes and increase client satisfaction. All the partners will gain experience monitoring care, quality and client outcomes across care settings rather than from a single agency or provider perspective. The Project will assess if enhanced care planning and services prevent clients' institutionalization. Further, the Project will evaluate whether rehabilitation in nursing facilities increases de-institutionalization of clients.

## Internal challenges encountered related to the Project's design, collaborations, staffing, operations, or other Project factors

Delays in HCFA waiver approval resulted in a serious loss of momentum for the Project. Rocky Mountain HMO staff, which was dedicated to working on this Project, was reassigned to other duties. Mesa County staff raised concerns about possible changes in their relationship with Rocky Mountain HMO. In addition, Project staff, as well as our partners and constituents, have had to balance the reality of delays while maintaining enthusiasm for the Project. Within the last couple of years, the Project staff has gone through many changes with the loss of the original Program Administrator, Management Analyst, Program Analyst and Program Assistant.

Mesa County Options for Long Term Care Agency has received considerable financial support for the Integrated Care and Financing Project from its county commissioners. Funding for additional care coordinators was approved and new staff was hired based upon expectations of increased workload due to ICFP. The new staff is now needed as a result of the rapid growth in Mesa County's long term care caseload. Local funding for these positions still complements the state funding.

Delays in implementing ICFP had a serious negative impact on our partnership with the Project evaluators at University of Colorado Health Sciences Center (UCHSC). The multiple Project approval delays resulted in a discrepancy in the contract with the UCHSC evaluators when the tasks could not be conducted as originally proposed. In an effort to conserve evaluation funds for future need, the UCHSC evaluators terminated the contract before it was completed since they could not conduct a full evaluation due to the Project delays. The evaluators did provide the Project with a detailed data collection plan for the evaluation before ending the contract.

After the Department received the approved Terms and Conditions from HCFA in September 1999, we were notified by Rocky Mountain HMO that they would not continue their participation in the Project at that time. The basis for Rocky Mountain HMO's decision was a contract dispute concerning their existing Medicaid contract.

Once Rocky Mountain HMO pulled out of the Project, the Department decided to bring the Project to the Denver metropolitan area. The Department added several members to the advisory committee while several of the original Mesa County advisory committee members agreed to participate in the Denver design. This provided the Department with consistent project design. After six months of intensive design work with the advisory committee, the Department developed regulations for the Denver Project. The regulations were effective November 2000. At this time, the Department is working closely with HMOs in the Denver metropolitan area to implement this Project.

## Challenges or successes caused by factors external to the Project

There were significant problems related to delays in waiver approval and the difficult Medicare capitation payment rate methodology negotiations. In April 1997, HCFA staff indicated the need to pursue a methodology that differed from the original waiver submission. The suggested methodology required HCFA to release Medicare data to JEN Associates, Inc. (JAI) and to contract directly with JAI to analyze the Medicare data to attempt to develop a blended rate. During this time, the state needed to arrange for Rocky Mountain HMO to release its Medicare data to be included in this analysis. Unfortunately, each of these steps took longer than originally anticipated or promised. The state used this data to create seven new budget neutral rate-setting methodologies. After lengthy review, HCFA turned down these proposals. It then became clear that we could not reach agreement on a Medicare reimbursement methodology.

Once the state determined to withdraw Medicare Part A in the capitation payment rate methodology, the Department revised and resubmitted the waiver Terms and Conditions

for HCFA's approval. This approval process took 358 days. During this delay, significant Project and partner staff turnover occurred and the relationship between the Department and Rocky Mountain HMO changed.

## Lessons learned

The Integrated Care and Financing Project learned important lessons in several areas including: a) involving all stakeholders in the project development; b) developing expertise in calculating rates for Medicaid long term care services; c) understanding Medicare reimbursement methodology issues; d) designing comprehensive care coordination; e) addressing benefit design issues. Project staff have also established legislative authority, and gained experience in writing program rules, federal waivers and Project protocols.

*a) Involving all Stakeholders*

The Department learned the important need to obtain input from all stakeholder groups while designing the Project. The Department will convene all long term care providers and interested stakeholders as we move forward to the Denver area. The state will determine if providers have concerns or questions about the Project, and will work with all parties to resolve the issues as implementation proceeds.

*b) Calculation Rates for Medicaid Long Term Care Services*

The Department has gained significant experience developing and calculating Medicaid long term care rates for the Integrated Care and Financing Project. The rates were designed to include all of the long term care costs currently paid by Medicaid for clients in Mesa County minus a five percent managed care discount. The long term care rates would be in addition to the acute Medicaid rates used in the existing Medicaid HMO contract. The Department has gained knowledge and expertise in developing long term care rate methodology, which will assist us in moving forward with the Denver Project.

*c) Medicare Reimbursement Methodology Issues*

Colorado's Integrated Care and Financing Project has experience in developing proposed Health Maintenance Organization Medicare rates, payment systems and budget neutrality. The Department developed Medicare rates, which were derived from historic per capita costs that were projected forward for each year of the Project. A national trend factor derived from the President's budget was used to project the rates from the base year to each year of the Project. Six different rates were calculated: Elderly Part A; Elderly Part B; Disabled Part A; Disabled Part B; End Stage Renal Disease (ESRD) Part A; ESRD Part B. Where appropriate, base rates were multiplied by demographic cost factors to adjust for differences in cost associated with age, gender, and institutional status.

The Department was able to demonstrate proposed HMO Medicare rate budget neutrality by comparing the projected cost of providing Medicare services to the target population with and without the Project. Base year Medicare enrollment was projected forward using statewide trend factors derived from enrollment forecasts prepared by the Department's Budget Office.

The Department developed multiple payment systems and budget neutrality proposals for the Medicare component of the ICFP. These proposals were rejected by HCFA. Therefore, the Department was not able to come to agreement with HCFA over a Medicare reimbursement methodology for the Integrated Care and Financing Project. However, the Department developed expertise in calculating Medicare rate methodologies for future Project areas.

*d) Comprehensive Care Coordination*

The Department expended considerable amounts of time developing a comprehensive care coordination model for the Integrated Care and Financing Project. We spent numerous hours working with providers, consumer advocates, family members, clients and care providers designing a comprehensive care model. The model uses existing long term care assessment instruments with additional general health questions. This expanded assessment is used to prepare a detailed care plan. This care plan assists the care manager in assuring that all services are appropriate while monitoring the client's health outcomes. This model will be used for care coordination when the Project is implemented in Denver.

*e) Benefit Design*

The Department worked closely with provider agencies, clients and advocates in developing a multifaceted approach to benefit design. The benefit service delivery combines preventative, primary, acute and long term care services for Medicaid, and Medicare and Medicaid dual eligible into a coordinated system of managed care.

## Significance of the Project's accomplishments

The Integrated Care and Financing Project continues to focus on addressing the issues of poor coordination between acute and long term care systems, cost shifting between Medicaid and Medicare, weak focus on preventive care, and the risk of poor health outcomes for clients. The Project will show that combining acute and long term care together in a managed care environment will facilitate rational, efficient and economical clinical approaches to care.

The Integrated Care and Financing Project has had significant accomplishments even though it has not been implemented. A quality assurance workgroup comprised of

consumers, advocates, providers and Department staff developed additional quality indicators specific to the Integrated Care and Financing Project. When identifying these topics, the workgroup concurred that it was necessary to avoid duplication of existing quality assurance efforts and to focus instead on indicators that could measure quality across care settings. Measurement methodologies for these specific indicators were developed with technical assistance from the National Committee on Quality Assurance (NCQA).

To support care coordination Mesa County Department of Human Services developed a new data system to connect the care coordination team, the primary care physician and the community based service providers. The Care Coordination Information Network (CCIN) is an automated system designed to support the new coordination and monitoring functions. The system was constructed by integrating already existing data systems and adding new components. The existing automated client assessment system, the client financial eligibility information system, and an E-mail communication system were integrated with an information and referral system developed by Mesa County Department of Human Services and United Way. This system not only allows increased communication between all care providers, but it produces a plan of care document, a screening, monitoring and client contact reporting tool and a client report. These automated reports can easily be shared with all Project providers to assist in providing increased care coordination to the Project client.

The major accomplishment of the Project is the interest in and support of integrated care in Colorado. Even though the Department was not able to implement the Project as designed in Mesa County, there is overwhelming support for it to continue in Colorado by major stakeholders and legislative staff. The design of the Project was modified in order to bring it to the Denver metropolitan area. The Department is working closely with advocacy groups for people with disabilities on implementation.

The ICFP, which was developed for implementation in Mesa County, created a framework for the Department to focus on other areas of the state. Mesa County Options for Long Term Care Agency changes will be shared with other organizations to determine which Project designs can be implemented statewide. The Department produced a vision of how care can and should be provided to elderly and disabled populations in Colorado.

## Future objectives for the Integrated Care and Financing Project

The Department will continue to work with Medicaid HMOs to develop an integrated health care system for Medicaid-only and Medicare and Medicaid dual eligible clients. The Department is ready to resume immediate implementation of the ICFP in Mesa County when the legal dispute between Rocky Mountain HMO and the Department is resolved. The existing waiver approvals and operational protocols, which have been

approved by HCFA, remain in place. The program regulations are in place and contract amendments are ready to be finalized.

The Department is working collaboratively with Kaiser Permanente HMO and Total Long Term Care (PACE provider) in designing and developing an integrated delivery system for Medicare and Medicaid dual eligible consumers in Denver. This delivery system incorporates many of the design components developed by the Integrated Care and Financing Project in the Denver metropolitan area. This is a unique collaboration designed to expand the options for frail elderly individuals in Colorado. This project will improve the delivery of health care and supportive services to individuals whose needs are often complex and require a comprehensive and coordinated approach to the provision of care. Total Long Term Care (TLC) has demonstrated exceptional ability to serve the needs of frail elderly in the community setting. Kaiser Permanente offers expertise in primary and specialty care, pharmacy management and preventive care services. The goal of this collaborative project is to capitalize on the strengths of the two organizations to provide high quality, coordinated services in a cost-effective manner to frail elderly and disabled persons.

The Department has had several discussions with Colorado Access HMO concerning them becoming a provider of integrated care. Colorado Access is not a Medicare certified HMO. Colorado Access would have to become a Medicare certified provider under current Colorado law to provide complete integrated care and financing. The initial investment to obtain a Medicare certification is substantial and uncertain revenue in a voluntary enrollment program presents a significant business risk for a health plan. The Department is working with Colorado Access on solutions to this issue.

The Department continues to work closely with other states and HCFA in developing integrated and improved care coordination models. The Department participates in the Medicare and Medicaid Integration Program, a Robert Wood Johnson Foundation funded program at the University of Maryland Center on Aging to support states in their efforts to integrate Medicaid long-term care services with Medicare acute care services through managed care. The purpose of the program is to end the fragmentation of financing, case management, and service delivery that currently exists between Medicare and Medicaid. The Department meets and teleconferences with Texas, Minnesota, Florida, New York, Oregon, Washington and the New England Consortium, who are working on similar projects for their states. The Medicare and Medicaid Integration Program is designed to provide states technical assistance and resources necessary to develop innovative approaches to improve the quality and cost effectiveness of health care for these populations.

The Department, furthermore, is working with HCFA to revise the Medicare risk adjustment methodology to improve programs for clients who are nursing facility eligible. The Department is collaborating with HCFA on analyzing data from the Medicare and Medicaid linked database. This linked database will assist the Department

in determining service utilization and all Medicare and Medicaid medical costs for dual eligible clients.

The Department is committed to continue working with health plans, providers, advocates and consumers to design and implement an improved delivery system. This system will address the poor coordination between acute and long term care services, while increasing the focus on preventive care and better health outcomes for all individuals.

## Stakeholders comments

- The work of this committee has been challenging in bringing together stakeholders with differing perspectives on the issue of long term care. Ultimately, this diversity has strengthened the product and final recommendations. It has also educated many of us to the challenge of doing this work well.

  Escalating costs and limited options for long term care should be a concern for all Coloradans. This project creates the opportunity to approach the challenges of coordinated care, voluntary participation, integrated financing, client-centered care and quality accountability in new and creative ways.

  We applaud the work done to date and look forward to implementation of this vision. *Maureen Hanrahan, Government Programs Director and Erin Lilly, Medicaid Coordinator; Kaiser Permanente*

- Your goal to combine acute and long term care services into one managed care program should provide better integrated care at a more economical cost to the State.

  Colorado Access is supportive of the Department's interest in this program. Our concern with the model, as proposed, is in its voluntary nature… we would prefer a mandatory pilot program with a guaranteed number of members since there are additional Medicare and Medicaid requirements and regulations that the managed care organization would need to meet. *Sherry Rohlfing, Vice President of Market Development; Colorado Access*

- This project is important for Colorado residents. The Integrated Care and Financing Project will provide important integrated health care for the citizens of Colorado. I support the work of the Department on this project and look forward to seeing it implemented. *Bill Shultz, AARP*

- The current Medicare reimbursement methodology is problematic. The existing Medicare risk adjustment methodology for a community based long-term care client is inadequate and does not accurately reflect the health care expenditures for a nursing home certified client in the community. *David Reyes, Executive Director, Total Long Term Care*

- This is a great concept and could be an answer for some real community based options and consumer-centered services. If all of the players are willing to put the client first and really let the constraints of the current system go anything is possible. *Julie Reiskin, Executive Director, Colorado Cross-Disability Coalition*