First Regular Session Seventy-fourth General Assembly STATE OF COLORADO

INTRODUCED

LLS NO. 23-0700.01 Shelby Ross x4510

HOUSE BILL 23-1228

HOUSE SPONSORSHIP

McCluskie and Willford,

Zenzinger,

SENATE SPONSORSHIP

House Committees Public & Behavioral Health & Human Services **Senate Committees**

A BILL FOR AN ACT

101 CONCERNING NURSING FACILITY REIMBURSEMENT RATE SETTING.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <u>http://leg.colorado.gov.</u>)

The bill adjusts the supplemental medicaid payment rates a qualifying nursing facility receives from the department of health care policy and financing (state department).

Current law limits the annual increase of the general fund share of the aggregate statewide average of the per diem rate to not more than 3%. The bill removes this limitation and requires the general fund share be calculated based on specific percentage increases.

The bill requires the state department to initiate a process no later

than July 1, 2023, to remove the medicare costs from the provider rate setting by July 1, 2026.

The bill repeals the requirement that only such costs as are reasonable, necessary, and patient-related be reported for reimbursement purposes.

The bill authorizes the state department to require a nursing facility, as a condition of receiving medicaid funds, to submit any documentation necessary to ensure the state's interest in transparency, stability, and sound fiscal stewardship.

As part of developing and implementing a transition plan to regulate nursing facility reimbursement, the bill requires the state department to:

- No later than July 1, 2026, define "nursing home reimbursement" and provide payments to nursing facilities;
- Engage with stakeholders regularly to seek input on any proposed methodology changes; and
- From November 1, 2023, to November 1, 2026, submit an annual report to the joint budget committee of the general assembly regarding the implementation process.

The bill requires the state department to issue additional supplemental payments to nursing facility providers with disproportionately high medicaid utilization, to facilities that are geographically critical to ensuring access to care, and to facilities that admit compassionate release individuals from the department of corrections.

Effective July 1, 2026, the bill repeals:

- The requirement that the state department exempt certain nursing facility providers from the provider fee;
- The process for providing a wage enhancement supplemental payment to eligible nursing home providers that pay their employees a wage of at least \$15 per hour; and
- Requirements for issuing additional supplemental payments to nursing facility providers that meet certain requirements.

1 Be it enacted by the General Assembly of the State of Colorado:

2 SECTION 1. In Colorado Revised Statutes, 25.5-6-202, amend

3 (5), (6), (9)(b)(I), and (9)(c)(I); repeal (9)(c)(II); and add (9)(b)(I.5),

4 (13), (14), and (15) as follows:

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25.5-6-202. Providers - nursing facility provider

1 reimbursement - exemption - rules. (5) Subject to available moneys 2 APPROPRIATIONS and the priority of the uses of the provider fees as 3 established in section 25.5-6-203 (2)(b), in addition to the reimbursement 4 rate components paid pursuant to subsections (1) to (4) of this section, the 5 state department shall make a supplemental medicaid payment based 6 upon performance to those nursing facility providers that provide services 7 that result in better care and higher quality of life for their residents. This 8 amount shall be determined by The state department SHALL DETERMINE 9 THE PAYMENT AMOUNT based upon performance measures established in 10 rules adopted by the state board in the domains of quality of life, quality 11 of care, and facility management. The payment shall be computed 12 annually as of July 1, 2009, and each July 1 thereafter, and shall not be 13 less than twenty-five hundredths of one percent of the statewide average 14 per diem rate for the combined rate components determined pursuant to 15 subsections (1) to (4) of this section. BEGINNING JULY 1, 2023, THE 16 PAYMENT MUST NOT BE LESS THAN TWO DOLLARS PER PATIENT PER DAY 17 FOR EACH QUALIFYING FACILITY. THE STATE DEPARTMENT SHALL 18 ANNUALLY REVIEW AND ADJUST THE PAYMENT BASED ON THE 19 ESTABLISHED PERFORMANCE MEASURES. During each state fiscal year, the 20 state department may discontinue the supplemental medicaid payment 21 established pursuant to this subsection (5) to any nursing facility provider 22 that fails to comply with the established performance measures during the 23 state fiscal year, and the state department may initiate the supplemental 24 medicaid payment established pursuant to this subsection (5) to any 25 provider who THAT comes into compliance with the established 26 performance measures during the state fiscal year.

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(6) Subject to available money APPROPRIATIONS and the priority

of the uses of the provider fees as established in section 25.5-6-203 (2)(b), in addition to the reimbursement rate components PAID pursuant to subsections (1) to (5) of this section, the state department shall make a supplemental medicaid payment to nursing facility providers that have SERVE residents: who have moderately to very severe mental health conditions, dementia diseases and related disabilities, or acquired brain injury as follows:

8 (a) A supplemental medicaid payment shall be made to nursing 9 facility providers that serve residents Who have severe mental health 10 conditions that are classified at a level II by the medicaid program's 11 preadmission screening and resident review assessment tool. The state 12 department shall compute this payment annually as of July 1, 2009, and 13 each July 1 thereafter, and it shall be MUST not BE less than two percent 14 of the statewide average per diem rate for the combined rate components 15 determined pursuant to subsections (1) to (4) of this section. BEGINNING 16 JULY 1, 2023, THE STATE DEPARTMENT SHALL ANNUALLY ADJUST THE 17 RATE TO ENSURE ACCESS TO CARE FOR RESIDENTS WHO HAVE SEVERE 18 MENTAL HEALTH CONDITIONS.

19 (b) A supplemental medicaid payment shall be made to nursing 20 facility providers that serve residents With severe dementia diseases and 21 related disabilities or acquired brain injury. The state department shall 22 calculate the payment based upon the resident's cognitive assessment 23 established in rules adopted by the state board. The state department shall 24 compute this payment annually as of July 1, 2009, and each July 1 25 thereafter, and it shall be MUST not BE less than one percent of the 26 statewide average per diem rate for the combined rate components 27 determined under PURSUANT TO subsections (1) to (4) of this section.

BEGINNING JULY 1, 2023, THE STATE DEPARTMENT SHALL ANNUALLY
 ADJUST THE RATE TO ENSURE ACCESS TO CARE FOR RESIDENTS WITH
 SEVERE DEMENTIA DISEASES AND RELATED DISABILITIES OR ACQUIRED
 BRAIN INJURY.

5 (9) (b) (I) Except for changes in the number of patient days, THE 6 STATE DEPARTMENT SHALL ESTABLISH the general fund share of the aggregate statewide average of the per diem rate net of patient payment 7 8 pursuant to subsections (1) to (4) of this section. shall be limited to an 9 annual increase of three percent The state's share of the reimbursement 10 rate components pursuant to subsections (1) to (4) of this section may be 11 funded through the provider fee assessed pursuant to the provisions of 12 section 25.5-6-203 and any associated federal funds. Any provider fee 13 used as the state's share and all federal funds shall MUST be excluded from 14 the calculation of the general fund limitation on the annual increase 15 SHARE. For the fiscal year commencing July 1, 2009, and for each fiscal 16 year thereafter, THE STATE DEPARTMENT SHALL CALCULATE the general 17 fund share of the aggregate statewide average per diem rate net of patient 18 payment pursuant to subsections (1) to (4) of this section shall be 19 calculated using the rates that were effective on July 1 of that fiscal year; 20 EXCEPT THAT:

21 (A) FOR FISCAL YEAR 2023-24, THE STATE DEPARTMENT SHALL
22 INCREASE THE AGGREGATE STATEWIDE AVERAGE OF THE PER DIEM RATE
23 BY AT LEAST TEN PERCENT;

(B) FOR FISCAL YEAR 2024-25, THE STATE DEPARTMENT SHALL
INCREASE THE AGGREGATE STATEWIDE AVERAGE OF THE PER DIEM RATE
BY AT LEAST THREE PERCENT;

27 (C) FOR FISCAL YEAR 2025-26, THE STATE DEPARTMENT SHALL

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1 INCREASE THE AGGREGATE STATEWIDE AVERAGE OF THE PER DIEM RATE

2 BY AT LEAST ONE AND ONE-HALF PERCENT; AND

3 (D) BEGINNING IN FISCAL YEAR 2026-27, AND FOR EACH FISCAL
4 YEAR THEREAFTER, THE STATE DEPARTMENT SHALL ESTABLISH THE
5 AGGREGATE STATEWIDE AVERAGE OF THE PER DIEM RATE.

6 (I.5) WHEN INCREASING THE AGGREGATE STATEWIDE AVERAGE OF 7 THE PER DIEM RATE FOR FISCAL YEARS 2023 THROUGH 2027, THE 8 REIMBURSEMENT RATE FOR A CLASS I NURSING FACILITY THAT OPERATES 9 EFFICIENTLY AND ECONOMICALLY MUST BE REASONABLE AND ADEQUATE 10 TO MEET THE NURSING HOME'S COSTS IN ORDER TO PROVIDE CARE AND 11 SERVICES IN CONFORMITY WITH APPLICABLE STATE AND FEDERAL LAWS, 12 REGULATIONS, AND QUALITY AND SAFETY STANDARDS, AND MUST BE 13 BASED ON THE MOST RECENT AUDITED AND FINALIZED COST AND 14 UTILIZATION DATA AVAILABLE.

15 (c) (I) The general assembly finds that the historical growth in 16 nursing facility provider rates has significantly exceeded the rate of 17 inflation. These increases have been caused in part by the inclusion of 18 medicare costs in medicaid cost reports. The state of Colorado has an 19 interest in limiting these exceptional increases in medicaid nursing facility 20 provider rates by removing medicare part B direct costs from the 21 medicaid nursing facility provider rates and by imposing a ceiling on the 22 medicare part A ancillary costs that are included in calculating medicaid 23 nursing facility rates. NO LATER THAN JULY 1, 2023, THE STATE 24 DEPARTMENT SHALL INITIATE A PROCESS TO REMOVE MEDICARE COSTS 25 FROM THE PROVIDER RATE SETTING BY JULY 1, 2026. THE STATE BOARD 26 SHALL PROMULGATE RULES ESTABLISHING THE SPECIFIC METHODOLOGY 27 USED FOR REMOVING MEDICARE COSTS.

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1 (II) For all rates effective on or after July 1, 1997, for each class 2 I nursing facility provider, only such costs as are reasonable, necessary, 3 and patient-related may be reported for reimbursement purposes. Nursing 4 facility providers may include the level of medicare part A ancillary costs 5 that was included and allowed in the facility's last medicaid cost report 6 filed prior to July 1, 1997. Any subsequent increase in this amount shall 7 be limited to either the increase in the facility's allowable medicare part 8 A ancillary costs or the percentage increase in the cost of medical care 9 reported in the United States department of labor bureau of labor statistics 10 consumer price index for the same time period, whichever is lower. Part 11 B direct costs for medicare shall be excluded from the allowable 12 reimbursement for facilities.

(13) (a) AS A CONDITION OF RECEIVING MEDICAID FUNDS, THE
STATE DEPARTMENT MAY REQUIRE A NURSING FACILITY TO SUBMIT ANY
DOCUMENTATION NECESSARY TO ENSURE THE STATE'S INTEREST IN
TRANSPARENCY, STABILITY, AND SOUND FISCAL STEWARDSHIP,
INCLUDING, BUT NOT LIMITED TO:

(I) ANNUAL AUDITED FINANCIAL STATEMENTS, PREPARED BY AN
INDEPENDENT ACCOUNTANT, FOR A FACILITY, MANAGEMENT COMPANY,
AND ANY RELATED PARTY CONDUCTING BUSINESS WITH A
MEDICAID-CERTIFIED NURSING FACILITY, INCLUDING AUDITED AND
CONSOLIDATED FINANCIAL STATEMENTS FOR ANY PARENT COMPANY THAT
ACCEPTS, OR WHOSE SUBSIDIARIES ACCEPT, MEDICAID PAYMENTS FROM
THE STATE OF COLORADO;

25 (II) DETAILS ON TRANSACTIONS BETWEEN RELATED PARTIES OR
26 ENTITIES THAT HAVE COMMON OWNERSHIP; AND

27 (III) OWNERSHIP INTEREST IN REAL ESTATE, MANAGEMENT

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1 COMPANIES, FACILITY OPERATORS, AND ALL RELATED PARTIES.

2 (b) THE STATE DEPARTMENT SHALL DETERMINE THE FORMAT FOR
3 THE DOCUMENTATION PROVIDED BY EACH NURSING FACILITY.

4 (c) THE STATE BOARD SHALL ESTABLISH BY RULE ANY PENALTIES
5 FOR NONCOMPLIANCE WITH THE FINANCIAL REPORTING REQUIRED
6 PURSUANT TO THIS SUBSECTION (13).

7 (d) THE COSTS ASSOCIATED WITH THE FINANCIAL REPORTING
8 REQUIRED PURSUANT TO THIS SUBSECTION (13), INCLUDING ANY AUDIT
9 COSTS INCURRED BY A NURSING FACILITY, ARE AN ALLOWABLE EXPENSE
10 ON THE MEDICAID COST REPORT AND MUST BE INCORPORATED AS A
11 COMPONENT OF THE OVERALL REIMBURSEMENT METHODOLOGY.

12 (14)THE GENERAL ASSEMBLY FINDS THAT THE INFLEXIBLE 13 NATURE OF STATUTORILY FIXED REIMBURSEMENT RATES IS NOT IN THE 14 BEST INTEREST OF THE STATE OF COLORADO. THEREFORE, THE STATE 15 DEPARTMENT SHALL DEVELOP AND IMPLEMENT A TRANSITION PLAN TO 16 REGULATE NURSING FACILITY REIMBURSEMENT AIMED AT IMPROVING THE 17 HEALTH AND SAFETY OF RESIDENTS, PROMOTING INNOVATION AND 18 IMPROVED INFECTION CONTROL EFFORTS, IMPROVING ACCESS TO CARE, 19 AND PROMOTING INNOVATION IN COLORADO NURSING FACILITIES. AS PART 20 OF THIS PROCESS, THE STATE DEPARTMENT SHALL:

(a) NO LATER THAN JULY 1, 2026, DEFINE "NURSING HOME
REIMBURSEMENT" THROUGH RULES PROMULGATED BY THE STATE BOARD
AND PROVIDE PAYMENTS TO NURSING FACILITIES CONSISTENT WITH THE
PROMULGATED RULES;

(b) ENGAGE WITH STAKEHOLDERS REGULARLY TO SEEK INPUT ON
ANY PROPOSED METHODOLOGY CHANGES AND ENSURE THE METHODOLOGY
IS REASONABLE AND ADEQUATE TO MEET THE COSTS OF AN EFFICIENTLY

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1 AND ECONOMICALLY OPERATED NURSING FACILITY THAT PROVIDES CARE 2 AND SERVICES IN CONFORMITY WITH APPLICABLE STATE AND FEDERAL 3 LAWS, REGULATIONS, AND QUALITY AND SAFETY STANDARDS BASED ON 4 THE MOST RECENT AUDIT AND FINALIZED COST AND UTILIZATION DATA 5 AVAILABLE; AND 6 (c) FROM NOVEMBER 1, 2023, TO NOVEMBER 1, 2026, SUBMIT AN 7 ANNUAL REPORT TO THE JOINT BUDGET COMMITTEE OF THE GENERAL 8 ASSEMBLY REGARDING THE IMPLEMENTATION PROGRESS DESCRIBED IN 9 THIS SUBSECTION (14), INCLUDING, AT A MINIMUM: 10 (I) RECORDS OF STAKEHOLDER ENGAGEMENT; 11 (II)CONCLUSIONS DRAWN FROM FINANCIAL OVERSIGHT 12 ACTIVITIES; 13 (III) ISSUES REGARDING PAYMENT EQUITY AND ACCESS TO CARE 14 COORDINATION; AND 15 (IV) EXPECTED BUDGETARY IMPACTS OF ANY METHODOLOGY 16 CHANGE. 17 (15) SUBSECTIONS 1 TO 9 OF THIS SECTION AND THIS SUBSECTION 18 (15) ARE REPEALED, EFFECTIVE JULY 1, 2026. 19 SECTION 2. In Colorado Revised Statutes, 25.5-6-203, amend 20 (1)(c) as follows: 21 25.5-6-203. Nursing facilities - provider fees - federal waiver 22 - fund created - rules - repeal. (1) (c) (I) In accordance with the 23 redistributive method set forth in 42 CFR 433.68 (e)(1) and (e)(2), the 24 state department shall seek a waiver from the broad-based provider fees 25 requirement or the uniform provider fees requirement, or both, to exclude 26 nursing facility providers from the provider fee. The state department 27 shall exempt the following nursing facility providers to obtain federal

1 approval and minimize the financial impact on nursing facility providers: 2 (H) (A) A facility operated as a continuing care retirement 3 community that provides a continuum of services by one operational 4 entity providing independent living services, assisted living services, and 5 skilled nursing care on a single, contiguous campus. Assisted living 6 services include an assisted living residence as defined in section 7 25-27-102 C.R.S., or that provides assisted living services on-site, 8 twenty-four hours per day, seven days per week. 9 (II) (B) A skilled nursing facility owned and operated by the state; 10 (HI) (C) A nursing facility that is a distinct part of a facility that 11 is licensed as a general acute care hospital; and 12 (HV) (D) A facility that has forty-five or fewer licensed beds. 13 (II) THIS SUBSECTION (1)(c) IS REPEALED, EFFECTIVE JULY 1, 2026. 14 **SECTION 3.** In Colorado Revised Statutes, 25.5-6-208, add (7) 15 as follows: 16 25.5-6-208. Nursing facility provider reimbursement - rules -17 definition - repeal. (7) THIS SECTION IS REPEALED, EFFECTIVE JULY 1, 18 2026. 19 SECTION 4. In Colorado Revised Statutes, 25.5-6-210, amend 20 (10); **repeal** (1)(a), (1)(b), (6), (7), (8), and (9); and **add** (1)(c) and (1)(d) 21 as follows: 22 Additional supplemental payments - nursing 25.5-6-210. 23 facilities - funding methodology - reporting requirement - rules -24 **repeal.** (1) Notwithstanding any other provision of law to the contrary 25 and subject to available appropriations, for the purposes of reimbursing 26 a medicaid-certified class I nursing facility provider, the state department 27 shall issue additional supplemental payments to nursing facility providers

that meet the requirements outlined in this section and the state
 department's subsequent regulation as follows:

(a) For the 2021-22 state fiscal year, funds appropriated by the
general assembly are for the purposes of supporting nursing facility
providers experiencing increased staffing costs resulting from the
COVID-19 pandemic, nursing facility providers with high medicaid
utilization rates, or nursing facility providers currently serving individuals
with complex needs.

9 (b) Payments made in addition to those specified in subsection 10 (1)(a) of this section may also be made to nursing facility providers that 11 accept new admissions of medicaid-enrollment individuals with complex 12 needs.

13 (c) TO A NURSING A PAYMENT FACILITY WITH 14 DISPROPORTIONATELY HIGH MEDICAID UTILIZATION OR GEOGRAPHICALLY 15 CRITICAL TO ENSURING ACCESS TO CARE. IN DETERMINING QUALIFYING 16 FACILITIES FOR THIS PAYMENT, THE STATE DEPARTMENT SHALL CONSIDER 17 ANY ACCESS TO CARE IMPACTS TO INDIVIDUALS NOT COVERED BY 18 MEDICAID, INCLUDING, BUT NOT LIMITED TO, VETERANS ADMINISTRATION 19 BENEFICIARIES, INDIVIDUALS WITHOUT HEALTH-CARE COVERAGE, AND 20 INDIVIDUALS PENDING MEDICAID COVERAGE.

21 (d) A PAYMENT TO A NURSING FACILITY ADMITTING
22 COMPASSIONATE RELEASE INDIVIDUALS FROM THE DEPARTMENT OF
23 CORRECTIONS WHO NEED ADDITIONAL SERVICES TO ENSURE ACCESS TO
24 CARE.

(6) To receive an additional payment pursuant to subsection (1)(b)
 of this section, a nursing facility provider shall work with a hospital to
 facilitate the timely discharge of medicaid members from the hospital into

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the nursing facility, serve medicaid members with complex needs, or
 accept compassionate release individuals from the department of
 corrections.

4	(7) On or before November 1, 2022, the state department shall
5	engage with stakeholders and submit a report and recommendations to the
6	joint budget committee, the health and human services committee of the
7	senate, and the public and behavioral health and human services
8	committee of the house of representatives, or any successor committees,
9	concerning suggested changes for permanently changing medicaid
10	nursing facility provider reimbursement policy in Colorado to prioritize
11	quality, sustainability, and sound fiscal stewardship to avoid further
12	one-time cash infusions. The report must include changes that can be
13	made to affirm a nursing facility provider's commitment to accountability
14	and must include, at a minimum:
15	(a) Infection control and culture change practices, including:
16	(I) Single occupancy rooms;
17	(II) Smaller facility models; and
18	(III) Innovative facility models;
19	(b) Behavioral health needs;
20	(c) Practices regarding individuals who have complex needs
21	requiring hospital discharge;
22	(d) Practices regarding care and services to compassionate release
23	individuals from the department of corrections;
24	(e) Options for diversified funding streams to ensure continuity of
25	services;
26	(f) Competitive staffing practices;
27	(g) The timeline and costs associated with implementing the

recommended changes, including the impact on nursing facility provider
 rates; and

3 (h) Identification of the amount of supplemental payments to each
4 nursing facility provider and the outcome evaluation required pursuant to
5 subsection (3) of this section.

6 (8) The state department shall meet with the following
7 stakeholders, at a minimum, to seek input on any proposed reimbursement
8 methodology changes and report as required by this section:

9 (a) A representative from an urban nursing facility provider;

10 (b) A representative from a rural nursing facility provider;

11 (c) A representative from a nursing facility trade organization;

12 (d) A representative from a nursing facility with a high medicaid
 13 utilization rate; and

14 (e) A representative from a nursing facility that serves individuals
15 with complex needs.

16 (9) The state board shall promulgate any rules necessary to
17 implement this section.

18 (10) This section is repealed, effective July 1, 2023 2026.

SECTION 5. In Colorado Revised Statutes, 25-48-102, amend
(4) as follows:

21 25-48-102. Definitions. As used in this article 48, unless the
22 context otherwise requires:

(4) "Health-care provider" or "provider" means a person who is
licensed, certified, registered, or otherwise authorized or permitted by law
to administer health care or dispense medication in the ordinary course of
business or practice of a profession. The term includes a health-care
facility, including a long-term care facility as defined in section

- 1 25-3-103.7 (1)(f.3) and a continuing care retirement community as
- 2 described in section 25.5-6-203 (1)(c)(I), C.R.S. (1)(c)(I)(A).
- 3 SECTION 6. Safety clause. The general assembly hereby finds,
 4 determines, and declares that this act is necessary for the immediate
 5 preservation of the public peace, health, or safety.