Colorado Department of Health Care Policy and Financing (HCPF)

Medicaid Innovation, Sustainability, and Opportunities (MISO) Project

Stakeholder Engagement Session

December 18, 2025

Stakeholder Webinar Agenda

- Project Purpose and Approach
- The Big Health Care Picture
- Colorado Medicaid Landscape Analysis
- Developing Policy Strategies
- Next Steps

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Project Purpose and Approach

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Project Purpose

Purpose

Identify **immediate and long-term cost-saving solutions** that will better enable Colorado to **improve the effectiveness and efficiencies of its Medicaid and CHP+ programs**, while **achieving quality and access goals**

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Project Approach

The project, through a phased approach, is seeking to identify, evaluate, and prioritize potential Policy Actions to address cost drivers in the Colorado Medicaid program.

This project is being executed as the Governor and the Department of Health Care Policy and Financing concurrently enact immediate Medicaid program changes in response to a rapidly changing federal and state policy and budget environment.

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Landscape Analysis Approach

The Landscape Analysis identified where Colorado Medicaid is an outlier in program costs and outcomes compared to national and Comparator State trends.

Landscape Analysis

Comparative State Analysis

Public data were used to compare Colorado to national and Comparator State trends.

CO Driver Analysis

State data were used to identify drivers of Colorado's cost growth trends.

Opportunities

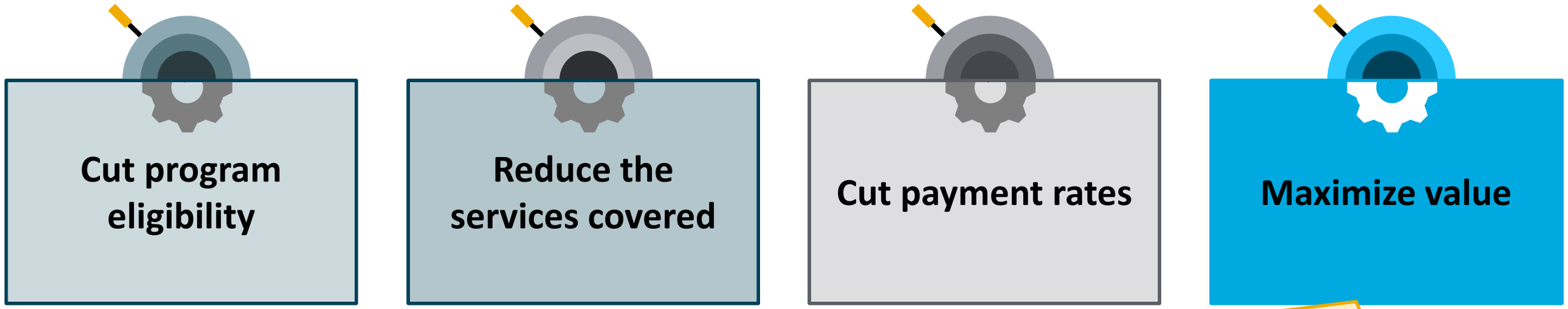
"Policy Action" opportunities were identified with state leaders to address cost trends.

Policy Assessment

Potential Policy Actions will be further evaluated and prioritized through financial and implementation analyses.

Policy Levers Available to Colorado to Manage Medicaid Costs

States have four major levers to manage Medicaid costs and produce savings:



Focus of this Project

While there is no magic bullet to contain Medicaid costs, states can take more nuanced, but also more complex, actions to maximize program value while producing savings.

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The Big Health Care Picture

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The American Health Care System in Context

Inefficiencies within the U.S. health care system are well documented.

Up to 25% of all U.S. health care spending may be wasteful, a product of overtreatment or low-value care, poor care coordination, pricing failures, fraud and abuse, and undue administrative complexities.

Pricing: the U.S. spends up to twice as much per person on medical care compared to other high-income countries, with excess spending disproportionately concentrated in inpatient and outpatient hospital care, prescription drugs, and administration. Compared to other countries, price regulation/negotiation is more fragmented across federal, state, and private payers.

Administrative Complexity: up to 30% of excess health care spending in the U.S. can be attributed to administrative costs associated with insurance and high administrative costs and burden for providers.

Social Spending: chronic underinvestment in social services, particularly relative to peer nations, can exacerbate health inequities and increase clinical spending.

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Structural Challenges to Reconciling Medicaid Growth with TABOR

Colorado, like every state, is facing structural challenges in managing Medicaid health care cost growth. TABOR compounds these challenges.

Health care is expensive – and costs are growing across all states and all private and public coverage types, including Medicaid.

Medicaid cost growth has been driven by a combination of medical price growth and program enrollment growth.

The federal passage of the "One Big Beautiful Bill Act" (H.R. 1) will add new cost pressures to Medicaid agencies across the country, including Colorado.

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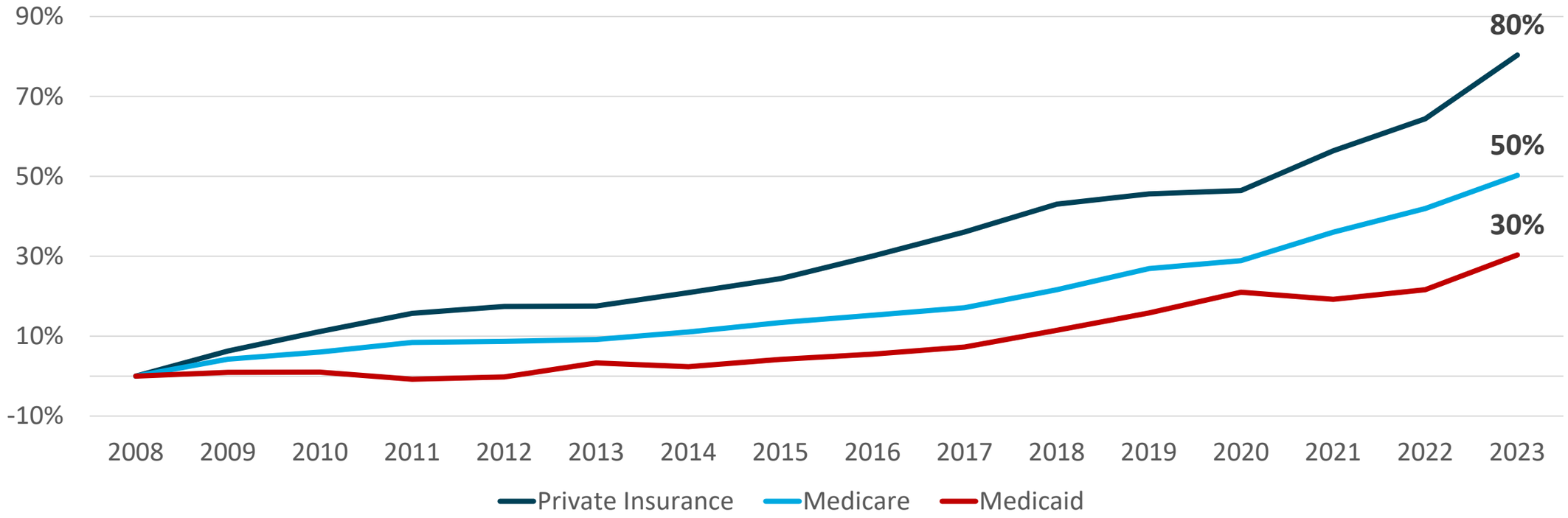
National Context: Medicaid Cost Growth

Health care is expensive – and costs are growing across all states and all private and public coverage types. Medicaid member costs have grown at half the rate of those with private insurance.

Nationwide Growth in Healthcare Spending per Enrollee Relative to 2008,
2008 – 2023

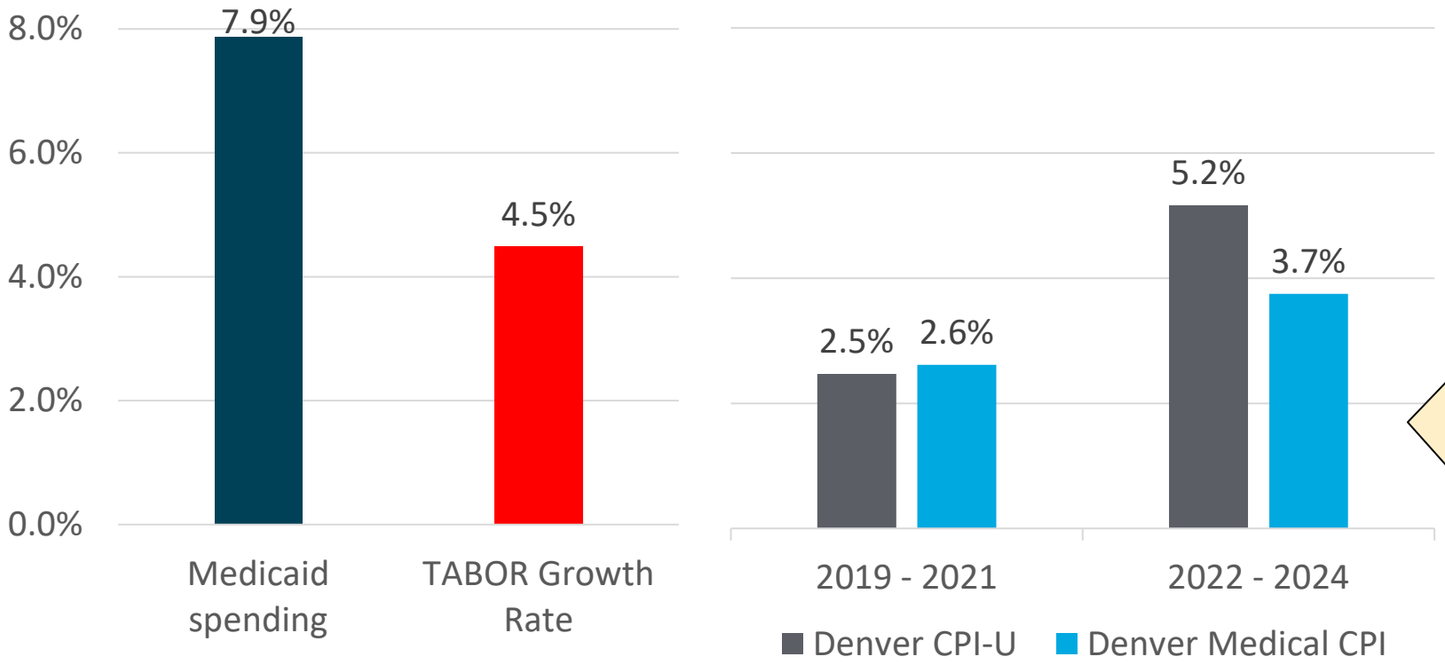


Source: Kaiser Family Foundation, 2025

National Context: Medicaid Cost Growth Cont.

Medicaid cost growth has been driven by a combination of medical price growth and program enrollment growth over time.

Colorado Average Annual Growth in Medicaid Spending, TABOR, and Inflation, 2019 – 2024



Key Considerations

- The Consumer Price Index for Urban Consumers (CPI-U) and Medical CPI are measures of price inflation.
  - These measures do not account for changes in the population.
  - Medical inflation does not reflect the mix of services and populations covered by Medicaid and has varied considerably relative to general inflation pre- and post-COVID-19.
- Medicaid spending (or cost) growth is driven by both medical price inflation, as well as the volume, acuity, and service mix of its population.
  - Medicaid enrollment tends to grow during economic downturns, when tax revenues also go down.

Source: Medicaid spending: CMS-64 reports, FFY 2018 - 2024; Denver CPI-U: BLS; Denver Medical CPI: BLS; TABOR: The average growth rate identified from 'Schedule of TABOR Revenue Fiscal Year' reports from the Colorado Office of the State Auditor from 2019 - 2024.

Colorado Medicaid Landscape Analysis

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Landscape Analysis Data Sources

Manatt reviewed over 75 reports, datasets, and materials from the State – and conducted nearly twenty interviews with state SMEs – to identify and contextualize Landscape Analysis findings.

State-Provided Data

- HCPF Premiums, Expenditures and Caseload Reports
- Joint Budget Committee Appropriation Reports and Governor's Office Budget Projections
- Re-priced behavioral health encounter data
- Adjusted CMS-64 reports
- Research memos developed by the HCPF Research & Analysis Team
- Legislative Request for Information Reports
- HCPF Billing Manuals, Medicaid Provider Rate Review Advisory Committee (MPRRAC) Reports and RAE Contracts
- Additional reports and ad hoc data requests

Federal and National Data Sources

- MACStats Medicaid and CHIP Data Books,
- CMS-64 Reports
- Kaiser Family Foundation (KFF) State Health Facts
- CMS Adult and Child Core Set
- American Association of Retired Persons (AARP) Scorecards
- Additional reports and data sources

State Interviews

- 17 state subject matter expert (SME) interviews

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Public Data Challenges & Mitigation Strategies

The Landscape Analysis leveraged publicly available data to support its cross-state comparisons. While these data offer standardized cross-state comparisons, they also have notable limitations.

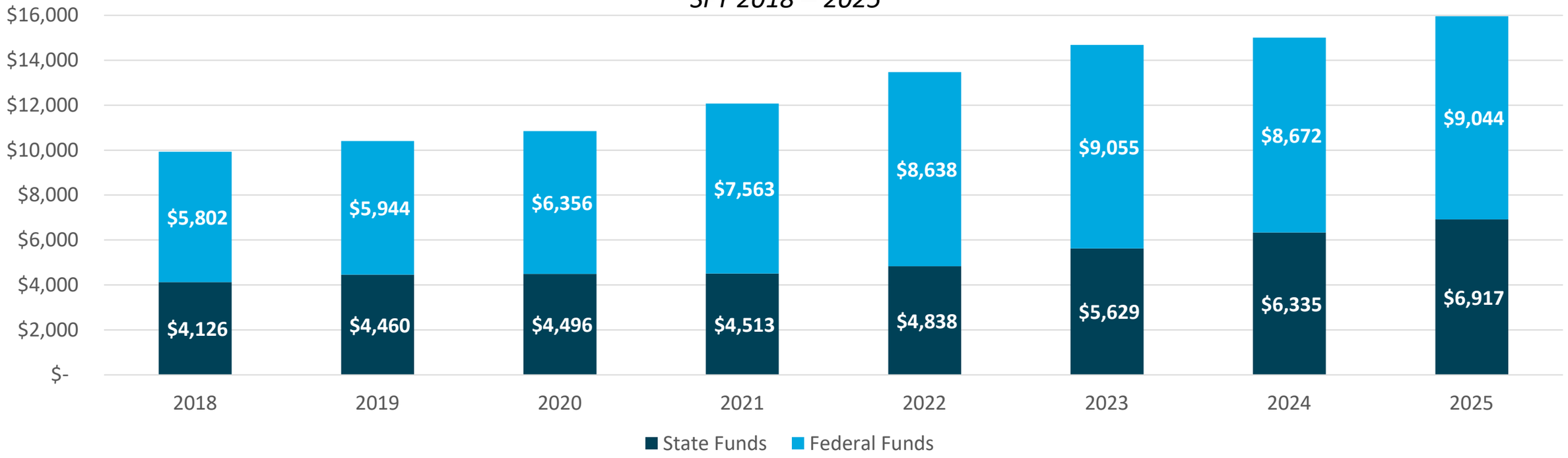
- **Data Timeliness:** Public data for many of our metrics-of-interest are often several years lagged (e.g., some Outcome metrics may only have data available through 2022 or 2023), limiting timely current state comparisons.
- **Data Availability:** Public data are not always available for metrics of interest (e.g., spending by service category across populations).
- **Data Accuracy:** Public data are often secondary sources, based on other source reporting; to the extent that the primary source analyses or reporting is inaccurate, the public data will also be inaccurate (e.g., Colorado's CMS-64 LTSS reporting during FFY 2018 and 2019).
- **Data Comprehensiveness:** Public data do not reflect individual state environments, including differences across populations, delivery systems, policies, and programs.
- **Anomalous Trends:** Data from 2020 through 2022 reflect an anomalous time in our health care system, with the COVID-19 Public Health Emergency (PHE) impacting how individuals interacted with the health care system and broader health care system financing.

Colorado Medicaid/CHP+ Total Expenditures Over Time

Colorado Medicaid/CHP+ spending has increased by nearly 60% since SFY 2018 - or around 8% growth per year. The Governor's Office and HCPF project growth rates to persist in the coming years.

Total Medicaid / CHP+ Appropriations (millions),

SFY 2018 – 2025



Note: State Funds include General Fund, Cash Funds, and Reappropriated Funds.
Source: 2024 Appropriations History Report FY 2015-16 through FY 2024-25

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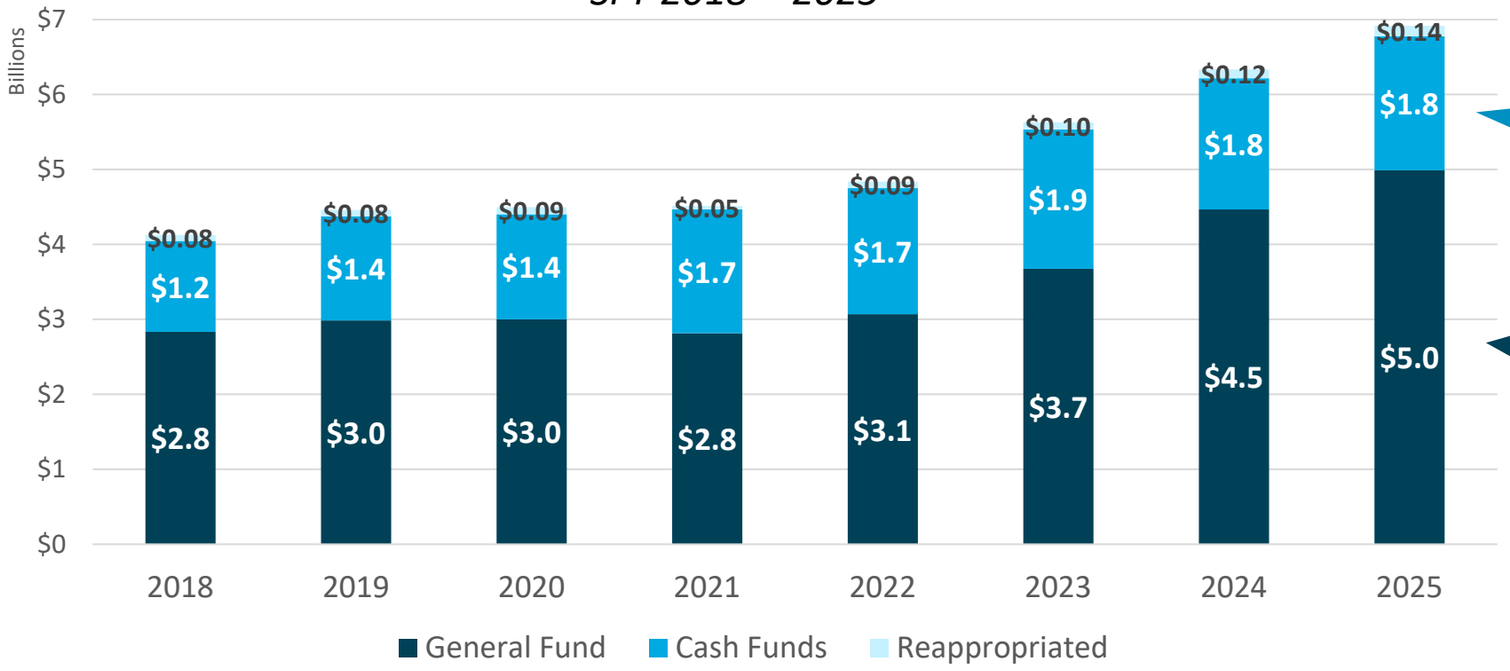
Source of State Share for Colorado Medicaid / CHP+

Colorado's ability to support a growing Medicaid/CHP+ state share will likely be further strained by new challenges for raising General Fund and Cash Fund revenues.

Source of State Share for Medicaid / CHP+ Appropriations (billions),
SFY 2018 – 2025



H.R. 1 will limit Colorado's ability to collect new **Cash Fund** provider fees (while increasing program administrative costs).

Colorado's ability to increase **General Fund** contributions will be limited by TABOR, which restricts the growth of state revenue to a formula based on inflation and population growth.

Source: 2024 Appropriations History Report FY 2015-16 through FY 2024-25

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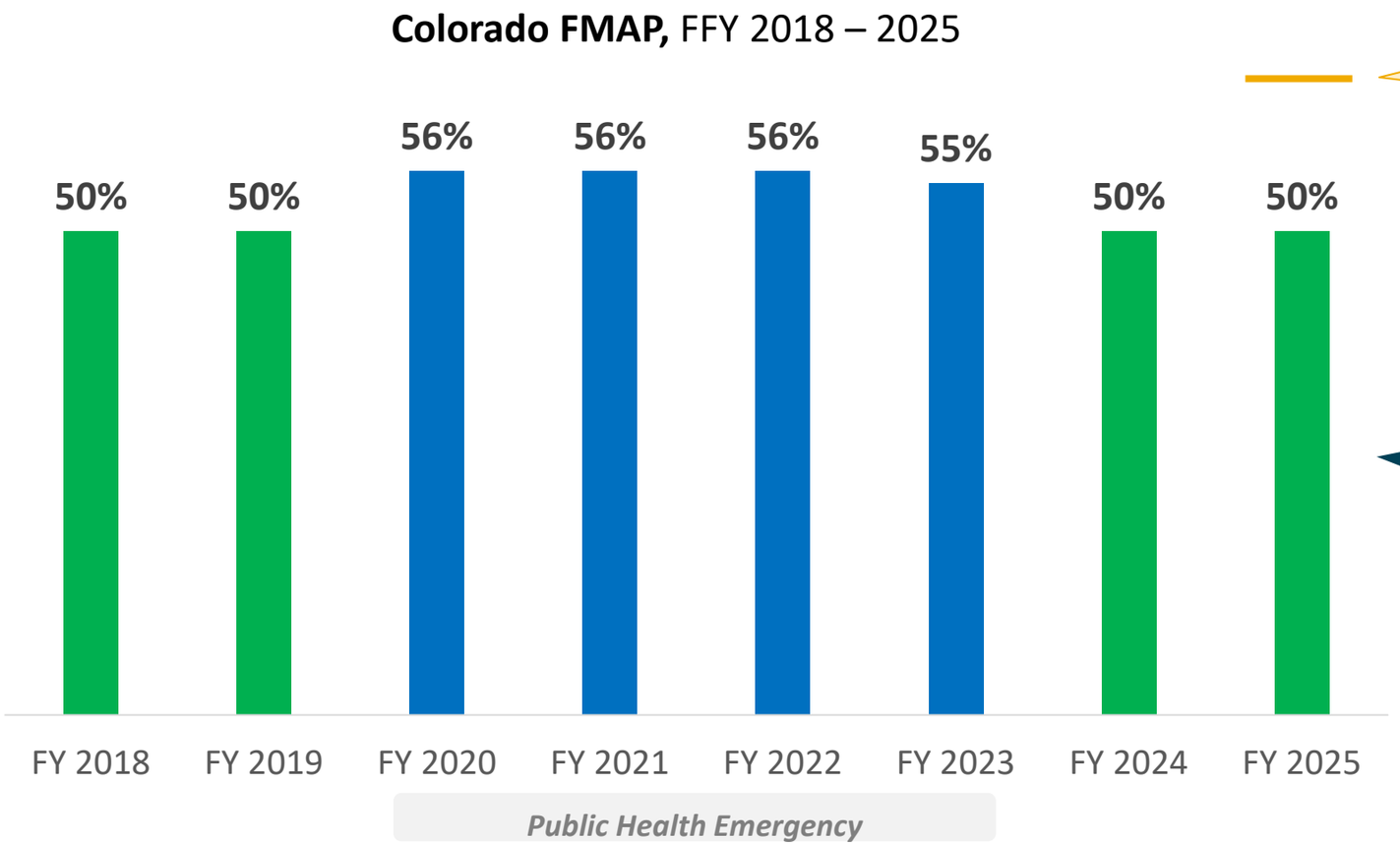
Challenge: Colorado's Federal Medical Assistance Percentage (FMAP)

Colorado is among the states with the lowest FMAP nationally (50%), limiting its ability to draw down federal matching funds for certain populations and services.



60.1%
Average State FMAP in FFY 2025

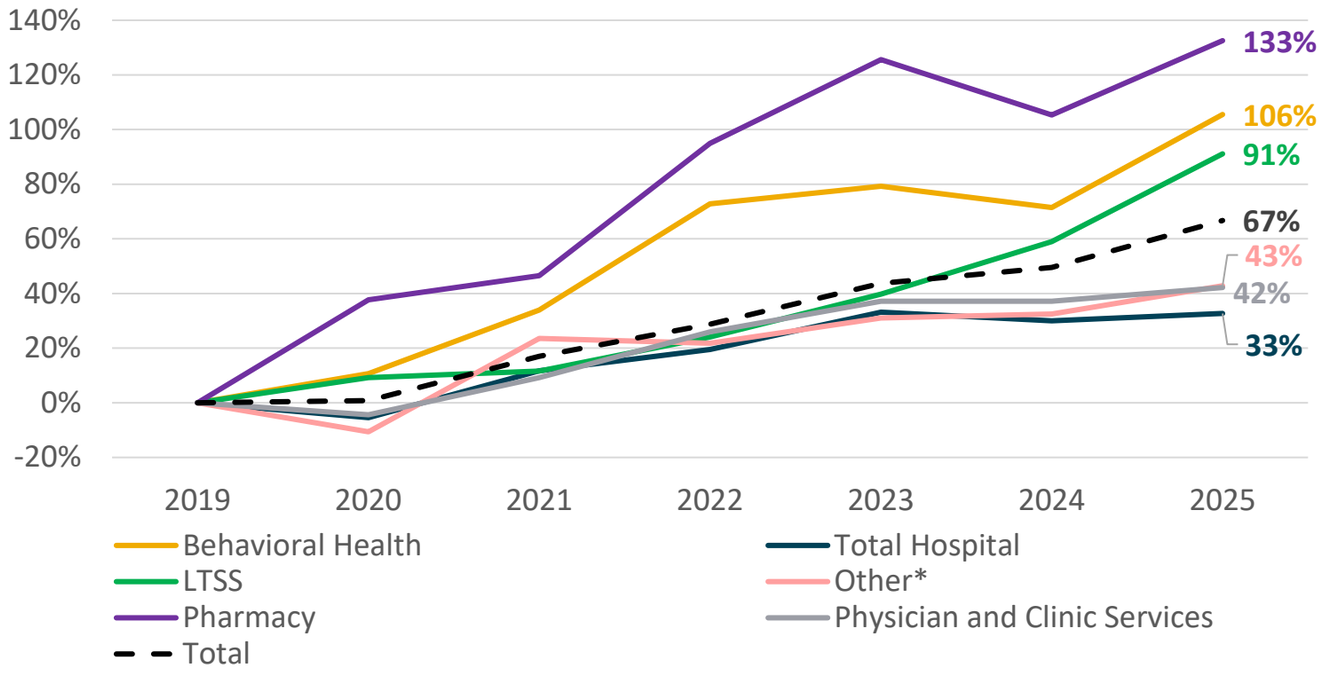
Colorado has a low FMAP as a relatively wealthy state. However, TABOR constrains state expenditures to levels more closely aligned with poorer states.

Note: During the public health emergency, states received an enhanced FMAP that phased out by FY 2024. The average FMAP includes all 50 states and Washington D.C.
Source: MACStats (Exhibit 6), Federal Medical Assistance Percentages and Enhanced Federal Medical Assistance Percentages by State, FY 2018 – 2025

Colorado Medicaid Cost Growth Drivers

Colorado's spending growth associated with LTSS, behavioral health services, and prescription drugs outpaced overall Medicaid spending growth between SFY 2019 and 2025

Growth in Medicaid Benefit Spending by Category,
SFY 2019 – 2025



Notes: *Other benefit spending includes spending on dental, labs, imaging, managed care plan capitation payments, and other benefits. Total Medicaid benefit spending calculated from monthly caseload reports; which may result in differences from prior reporting. Pharmacy spending and total spending include drug rebates. Hospital supplemental payments include inpatient and outpatient supplemental payments.
Source: Data on PBT spending provided by HCPF, all other data from Colorado Caseload reports from SFY 2019 – 2025

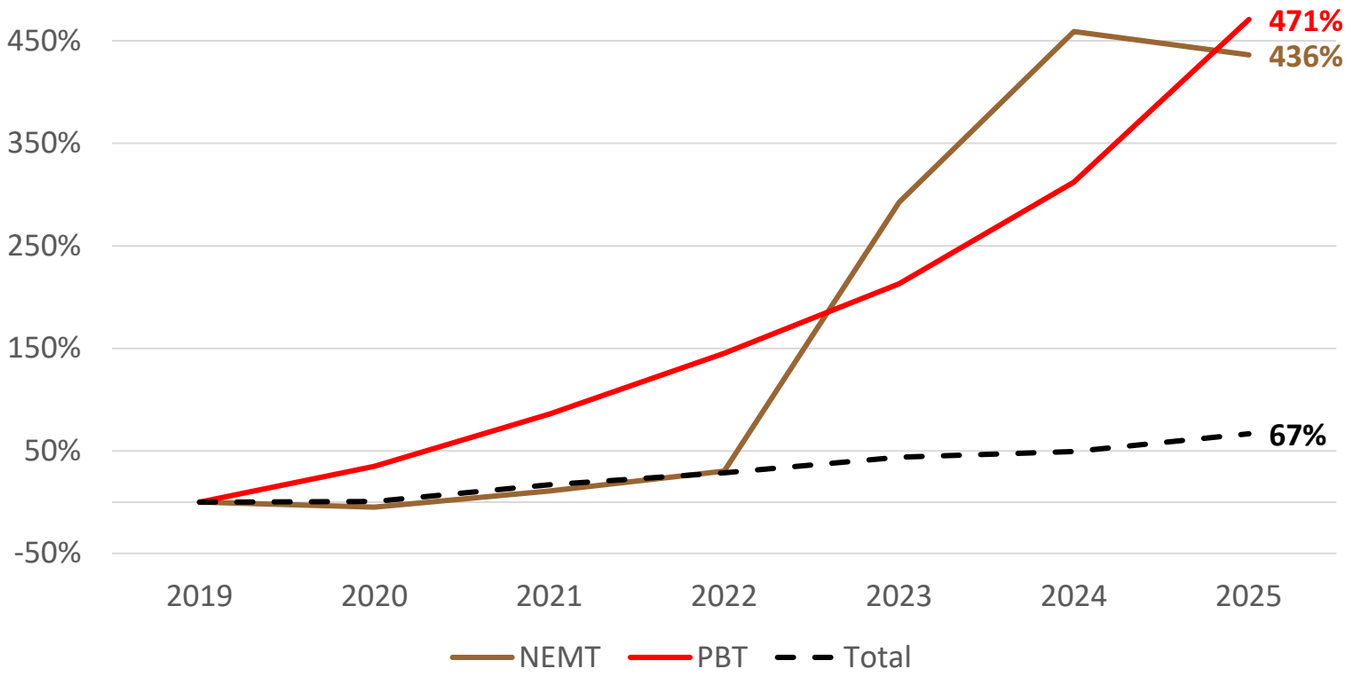
Total Medicaid Benefit Spending and Benefit Spending Growth by Category

	% Change in Spending, SFY 2019 – 2025	Total Benefit Spending (Millions), SFY 2025
Long Term Services and Supports (LTSS)	91%	$5,316
Total Hospital	33%	$3,313
Inpatient Base Payments	33%	$1,062
Outpatient Base Payments	45%	$724
Supplemental Payments	27%	$1,527
Other*	43%	$2,790
Behavioral Health	106%	$1,241
Physician and Clinic Services	42%	$1,106
Pharmacy	133%	$682
Non-Emergency Medical Transportation (NEMT)	436%	$289
Pediatric Behavioral Therapy (PBT)	471%	$287
Total	67%	$15,023

Colorado Medicaid Cost Growth Drivers (Continued)

Colorado's PBT and NEMT spending has increased over four-fold between SFY 2019 and 2025, far outpacing overall Medicaid spending growth.

Growth in Medicaid Benefit Spending by Category,
SFY 2019 – 2025



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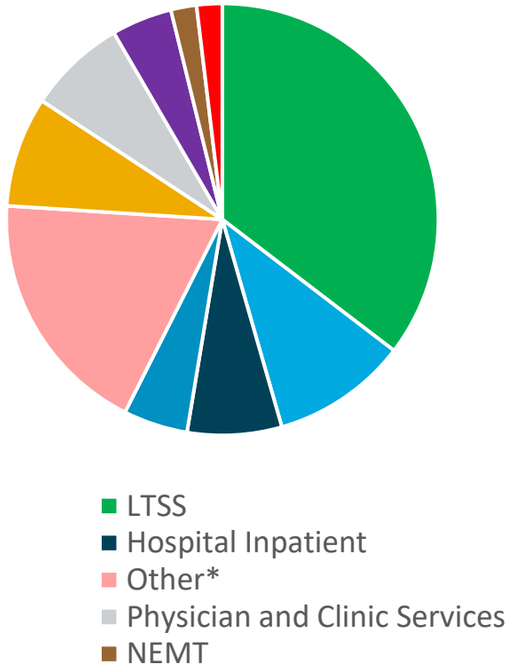
Source: Data on PBT spending provided by HCPF, all other data from Colorado Caseload reports from SFY 2019 – 2025

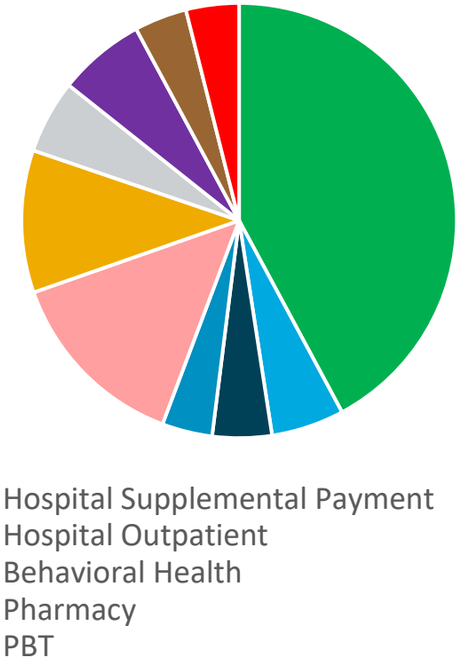
Cost Centers vs. Cost Drivers

LTSS, behavioral health, and pharmacy spending disproportionately drove growth in Colorado's total Medicaid benefit spending between SFY 2019 and 2025.

Share of Medicaid Benefit Spending by Category, *SFY 2025*



Share of Medicaid Benefit Spending Growth by Category, *SFY 2019 – 2025*



Total Medicaid Benefit Spending and Benefit Spending Growth by Category

	% of Total Spending in SFY 2025	% of Total Spending Growth, SFY 2019 - 2025
LTSS	35.4%	42.2%
Hospital Supplemental Payments	10.2%	5.4%
Hospital Inpatient	7.1%	4.4%
Hospital Outpatient	4.8%	3.7%
Other*	18.6%	13.9%
Behavioral Health	8.3%	10.6%
Physician and Clinic Services	7.4%	5.5%
Pharmacy	4.5%	6.5%
NEMT	1.9%	3.9%
PBT	1.9%	3.9%

Notes: *Other benefit spending includes spending on physician and clinic services, outpatient hospital, dental, imaging, managed care plan capitation payments, supplemental payments and other benefits. Total Medicaid benefit spending calculated from monthly caseload reports; which may result in differences from prior reporting. Pharmacy spending and total spending include drug rebates. Hospital supplemental payments include inpatient and outpatient supplemental payments.
Source: Colorado Caseload data for SFY 2019 – 2025

Landscape Analysis Findings: Behavioral Health

Key Findings

Behavioral health capitation spending per member more than doubled from SFY 2018 to 2025.

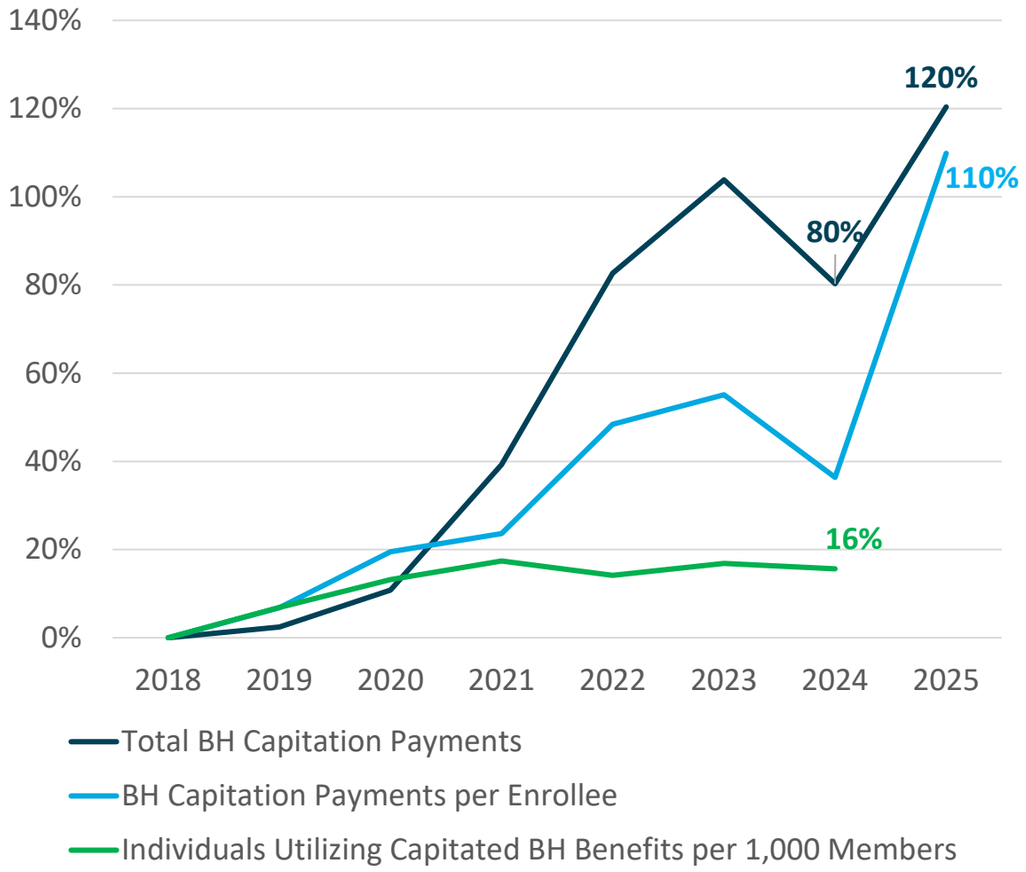
Over the past decade, Colorado prioritized expanding access to behavioral health services for low-income Coloradans.

Behavioral health spending now accounts for approximately **8% of total Medicaid benefit spending** ($1.24 billion).

Increased behavioral health capitation spending has been **driven by the volume and costs of services** being utilized. **Services and providers** driving spending growth include:

- Spending on **outpatient prevention and treatment** and **community and peer supports**.
- Spending attributable to the **independent provider network increased 75%** from SFY 2022 to 2024.

Growth in Behavioral Health (BH) Capitation Payments and Utilizers of Capitated BH Services, *SFY 2018 – 2025*



Source: Data provided by HCPF; Behavioral Health Legislative Request for Information Reports. Data on number of individuals utilizing capitated BH benefits per 1,000 members in SFY 2025 is not yet available.

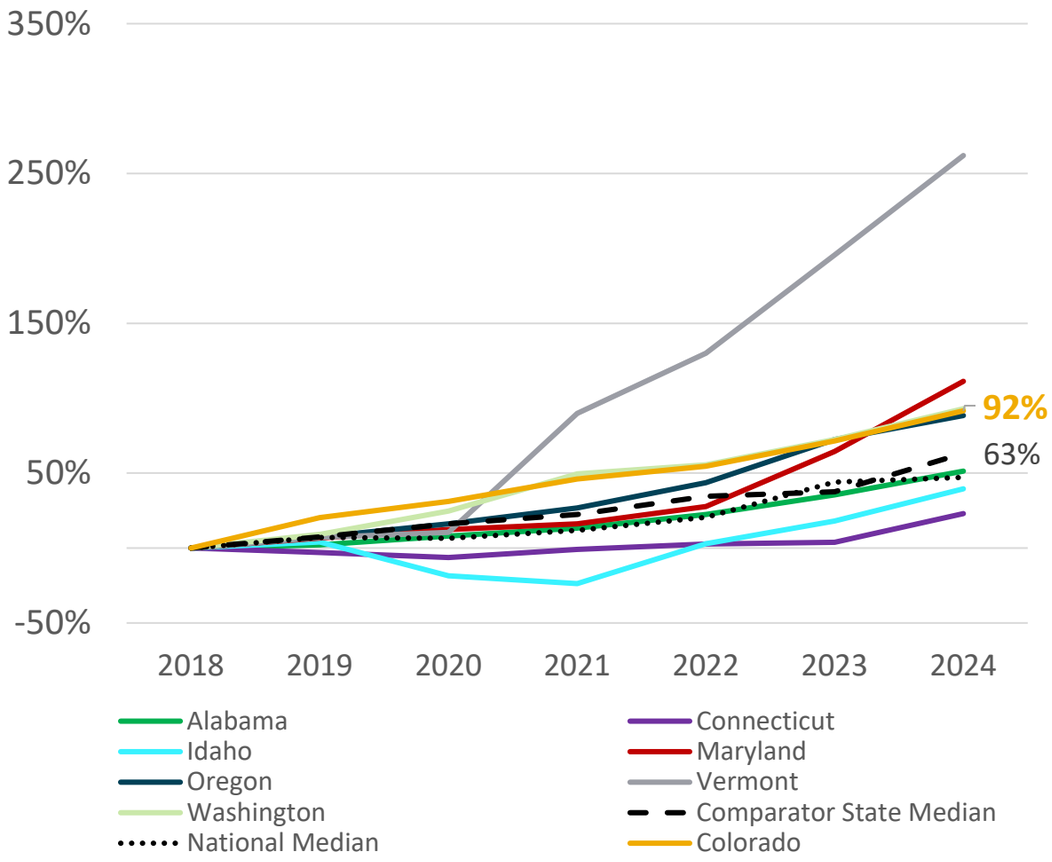
Landscape Analysis Findings: LTSS

Key Findings

Colorado's LTSS spending growth from FFY 2018 to 2024 outpaced most Comparator States.

- Colorado has made **significant and intentional investments** in LTSS to expand **access**, improve **equity**, and strengthen the direct care **workforce** over the past decade.
  - Colorado's LTSS spending growth has primarily been driven by increases in LTSS base **wages** and provider **rates**.
- Colorado's LTSS spending levels are generally ***on par*** **with Comparator States** in terms of spending as a share of total benefit spending and per recipient.
- LTSS spending increased **20%** from SFY 2024 to 2025, accounting for **more than half** of benefit spending growth over this time.
- Spending on select **waivers** (e.g., Developmental Disabilities, Children's Extensive Supports) and state plan benefits (e.g., Long Term Home Health) are driving cost growth.

Growth in LTSS Spending Across Comparator FFS LTSS States,
FFY 2018 – 2024



Note: This analysis focuses on states with FFS LTSS programs because CMS-64 data do not accurately capture LTSS spending in states with managed care LTSS programs.
Source: CMS Scorecard, FY 2018 – 2023; Analysis of CMS-64s, FY 2024.

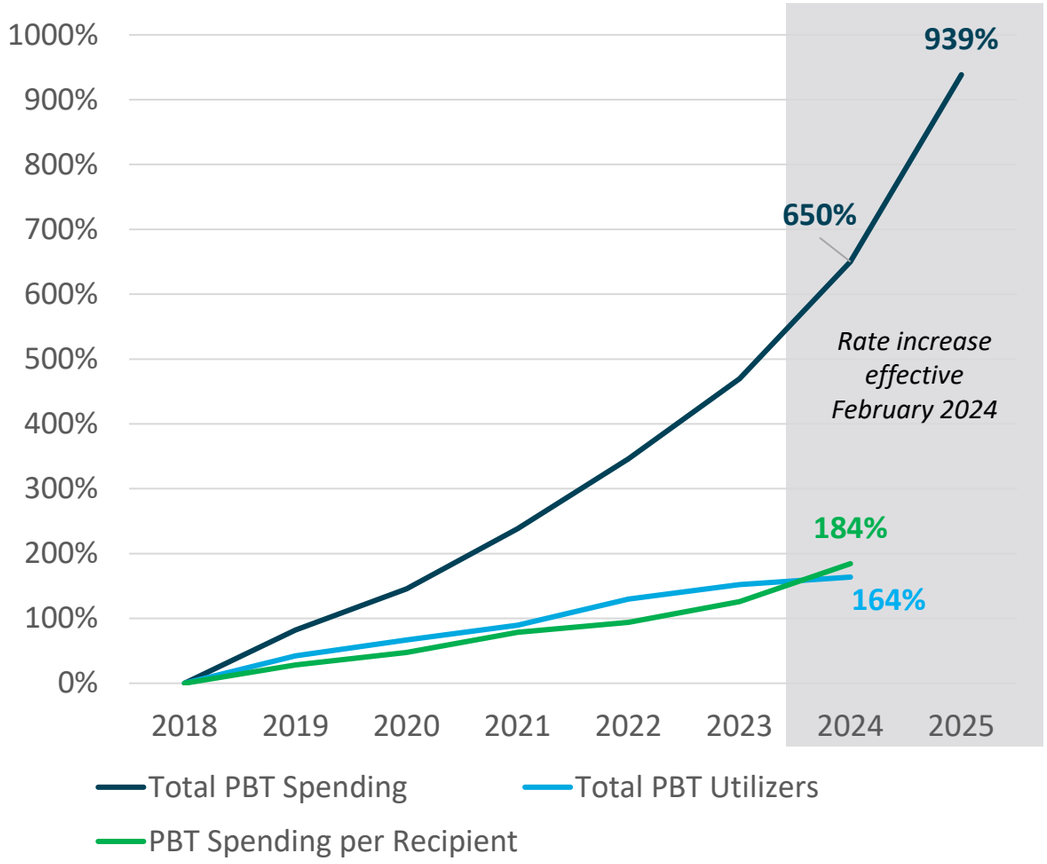
Landscape Analysis Findings: PBT

Key Findings

Annual PBT spending per service recipient nearly tripled from SFY 2018 to 2025.

- Colorado - like many other states - is experiencing significant increases in **utilization** and spending on PBT.
- **PBT service spending now comprises 2% of Colorado Medicaid benefit spending** ($287 million) – a nearly ten-fold increase since SFY 2018.
- Increased PBT spending is **primarily driven by increased rates** and **the average number of hours utilized** per week.
- State PBT utilization and spending are **not evenly distributed** across providers, raising concerns about consistency in medical necessity of the services being delivered, and the financialization of the service by private equity.

Growth in PBT Spending and Members Utilizing PBT
SFY 2018 – 2025



Source: Data provided by HCPF. Data on number of individuals utilizing PBT services in SFY 2025 not yet available.

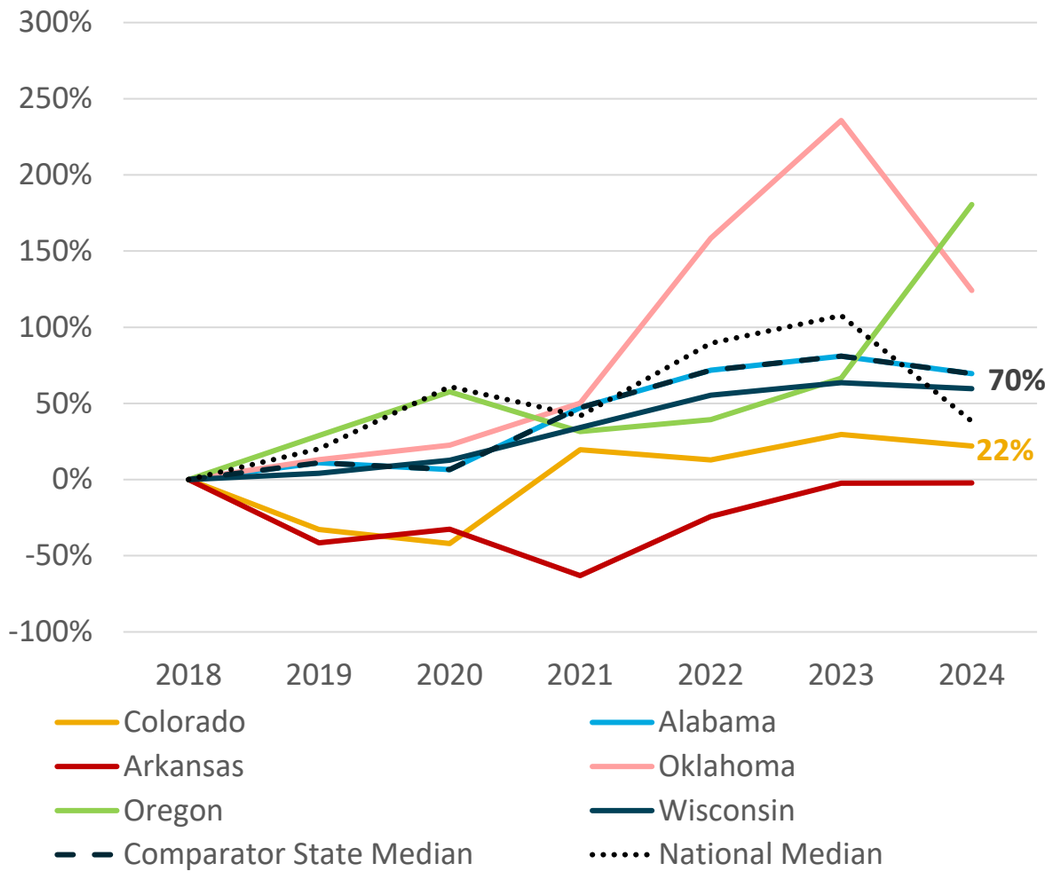
Landscape Analysis Findings: Pharmacy

Key Findings

Specialty drug spending drove pharmaceutical spending in Colorado Medicaid.

- Post-rebate prescription drug (Rx) spending in Colorado exceeded $680 million in SFY 2025 (**5% of benefit spending**).
- Colorado post-rebate Rx spending increased more **slowly** than most FFS Comparator States (FFY 2018 – 2024).
- The cost of **specialty drugs** has been identified as an area of concern for most Medicaid programs across the country.
  - Colorado post-rebate spending on specialty prescription drugs **increased 121%** between SFY 2019 and 2024.
  - Specialty prescription drugs account for only **2% of drugs dispensed**, but nearly **50% of drug spending.**

Growth in Post-Rebate Prescription Drug Spending Across FFS Comparator States, FFY 2018 – 2024



Note: This analysis focuses on states with FFS pharmacy benefits because CMS-64 data do not accurately capture pharmacy spending in states with managed care pharmacy benefits.
Source: CMS Scorecard, FY 2018 – 2023; Analysis of CMS-64s, FY 2024

Landscape Analysis Findings: Inpatient Hospital

Key Findings

Hospital spending in Colorado Medicaid has grown slower than overall Medicaid spending.

Colorado's **total hospital spending grew 33%** between SFY 2019 and 2025 to exceed **$3.3 billion,** compared with a **67% increase in total Medicaid benefit spending**.

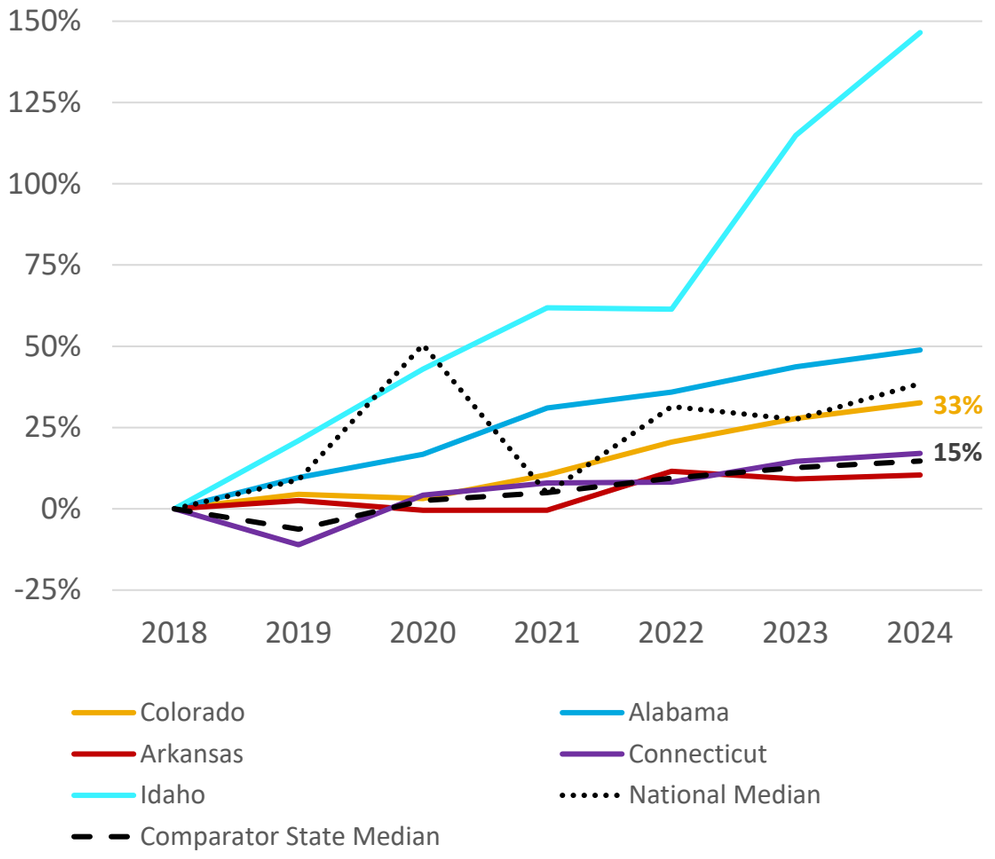
Total hospital spending is comprised of inpatient and outpatient base payments as well as supplemental payments.

- Inpatient hospital base **rates were rebased on July 1, 2023**.
- **Supplemental payments are TABOR exempt** and funded by provider fees rather than the General Fund. H.R. 1 will prevent Colorado from implementing new or increased provider fees.

Colorado's inpatient hospital spending growth between FFY 2018 and 2024, including inpatient base and supplemental payments, was **on par with FFS Comparator States** (see figure on right).

- Colorado's inpatient hospital **spending per enrollee** is also in-line – or lower than – that in other FFS states.

Growth in Inpatient Hospital Base and Supplemental Payments Across FFS Comparator States, *FFY 2018 – 2024*



Note: This analysis focuses on states with FFS delivery systems because CMS-64 data do not accurately capture hospital spending in states with managed care delivery systems.
Source: CMS Scorecard, FY 2018 – 2023; Analysis of CMS-64s, FY 2024

Key Question: Colorado's Medicaid Delivery System

The Landscape Analysis assessed whether Colorado should consider shifting its Medicaid delivery system to comprehensive Medicaid managed care (MMC).

Evidence of Managed Care Opportunity
✓ MMC is positively associated with **lower hospital spending** (inpatient and outpatient) and rates of preventable emergency department (ED) utilization
x No evidence of significant impact on **budget predictability**
x Little evidence of decreases in **overall state Medicaid spending**
x Mixed evidence MMC's impact on **drug spending and quality**
✓ Opportunities to **control costs** through population health management (risk assessments, care management) and utilization management (PARs, step therapy)

Key Question: Colorado's Medicaid Delivery System

After evaluating available evidence, Manatt and the State determined that transitioning to managed care is not likely to generate significant savings at this time.

Colorado Current State

- ✓ **Not an outlier in its inpatient hospital spending** growth or inpatient hospital spending per enrollee relative to other fee-for-service states
- ✓ **Performs at or better** than the national median on metrics of costly avoidable care
- ✓ Invested in **population health management** through the ACC program by aligning payment and outcomes
- ✓ Colorado's administrative spending compares favorably to managed care states (~9.4%*)

Conclusion

- The RAEs perform **key, value-generating functions** under the current delivery system.
- Core **methods and interventions** of managed care are already in place.
- Sustained utilization management authorities are critical to support medical necessity and program sustainability.

Note: Estimated administrative spending in managed care states includes both state administrative spending (~3.5%) and estimated administrative spending among managed care plans (~5.9%).

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Developing Policy Strategies

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Identifying Areas for Policy Actions

Opportunities Selected for Immediate Policy Actions

Manatt, the Governor's Office, and HCPF collectively identified the following areas as key opportunities for Policy Actions under this project, based on Landscape Analysis findings and discussion and iteration with Colorado:

Behavioral Health	**Long Term Services & Supports (LTSS)**	**Pediatric Behavioral Therapy (PBT)**	**Pharmacy**

Colorado is actively developing policy solutions outside the MISO project to address factors driving cost growth in other areas.

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Policy Guiding Goals

The Project is seeking to identify specific Policy Actions aligned with Guiding Goals reflecting the State's priorities. These Guiding Goals were developed by key leaders at HCPF and health advisors in Governor Polis's office.

Guiding Goals
Produce cost savings: Slow cost growth and increase program efficiency
Emphasize feasibility: Optimize actionability, minimize state burden, build on and learn from current Colorado initiatives
Support long-term sustainability: Promote value-driven solutions over more expedient, but potentially short-sighted, cost-reduction measures
Prioritize member health and experience: Improve or sustain member access/coverage, quality of care, and experience
Minimize adverse impacts on the delivery system: Confirm delivery system readiness, minimize administrative and financial burden and align delivery system incentives with state goals

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Preview of Preliminary Colorado Policy Actions

1. Withdrawal Management Update	Inpatient withdrawal management is not clinically indicated for all substance use; Colorado would shift to more effective outpatient alternatives where appropriate.
2. Tiered Pricing for Select Behavioral Health Services	Colorado pays for a higher level of care/intensity for some services than is appropriate for all members; tiered prices would better reflect the costs of services provided.
3. Mobile Health Services	Colorado would expand mobile health, which is evidence-supported as both saving costs and improving access and health outcomes.
4. LTSS Program Integrity	Provider behavior is making it harder to ensure members get the right level of care for their needs; Colorado would address with strategies to better oversee providers and educate members.
5. PBT Standardized Assessments	Standardized assessments for PBT would support clinically-informed individual treatment planning, ensuring members get the right level of service.
6. Modify Protected Drug Classes	Colorado would implement responsible utilization management strategies for select drugs, increasing rebates and addressing recent cost growth.

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Looking Ahead

Opportunities for Stakeholder Engagement

- Slides and other materials from this presentation will be made available on HCPF's website
- Manatt will present findings from Landscape Analysis at HCPF Budget Hearing at Joint Budget Committee on January 5, 2026
- Smaller engagements to present and solicit feedback on potential Policy Actions forthcoming in January 2026