



## **A Message from the Health Care Policy & Financing (HCPF) Executive Director**

### **Navigating State Budget Challenges and New Federal Mandates**

#### **Annual Webinar**

Thank you to the 2,800 stakeholders who registered for the Department of Health Care Policy & Financing (HCPF) Annual Stakeholder Webinar on August 12. We discussed state budget challenges, Medicaid cost trend drivers and solutions to address them, the impact of H.R.1 (One Big Beautiful Bill Act), emerging plans to address it, and HCPF priorities for fiscal year (FY) 2025-2026. Recordings and materials are [posted on our website](#).

#### **State Budget and Medicaid Cost Trends**

H.R.1, signed into law on July 4, 2025, saddled Colorado with a \$1+ billion budget shortfall this fiscal year. As a result, Governor Polis called the General Assembly back into session from August 21 to 26 to address this budget gap. They did so by increasing revenues, tapping into the state's rainy-day reserves, and implementing budget reductions. Through the Governor's August 28 [Executive Order](#), budget reductions across state departments total \$252 million, with HCPF [budget reductions](#) representing approximately \$79 million or 31% of that total.

The level of HCPF's reductions reflect that our budget represents about one-third of the state's budget, and that Medicaid cost trends are running at unsustainable levels in recent years due to increases in medical inflation, increases in our benefits, expansion of our coverage programs, outlier trends in certain areas, and outlier increases to our provider reimbursement rates. Specifically, while the Medicaid General Fund cost trends from FY 2015-2016 to FY 2019-2020 averaged +5% annually (0% to 11% range), they averaged +19% from FY 2021-2022 to FY 2024-2025 (12% to 26% range). The chart of data is on slide 8 of the Aug 12 webinar deck, [posted on our website](#). These increases generally coincide with the allocated federal stimulus dollars intended to pull the nation out of the COVID-induced recession. Colorado leveraged a portion of these stimulus dollars to invest in Medicaid to help transform our behavioral health system, increase the workforce and supports that serve people with disabilities, raise the baseline of provider reimbursements, and more. We should be proud of this work, as it made a better tomorrow for so many.

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Still, it is important that we all realize that these federal stimulus dollars are behind us, and that the Medicaid increases afforded during this chapter were atypical.

Our more recent Medicaid cost trend increases were further propelled by higher than normal U.S. Medical inflation trends of about 8%, last year, this year, and [projected again for calendar year 2026](#). Medical inflation is an underlying driver of Medicaid cost trends, commercial trends, and Medicare trends, too. When our Medicaid cost trends are running in the 5% range, as in the period noted above, the gap to state revenues is less challenging to navigate. But when the Taxpayer's Bill of Rights (TABOR) limits state tax revenue growth to 3-4% annually and Medicaid cost trends are running at 19%, as they have averaged over the last several years, the state simply does not have the funds to close this expense to revenue gap, resulting in the need for significant reductions across our programs, benefits and provider reimbursements.

At our August webinar, we reviewed examples of outlier Medicaid benefit trends and provider trends and areas of flat or low trends as well. You can find these slides [posted on our website](#). Several of the HCPF [budget reductions](#) shared on August 28 are intended to address areas of outlier and aggregate trends. We appreciate your partnership in helping us avoid draconian cuts to Medicaid by better managing Medicaid cost trends, now and going forward through the [Medicaid Sustainability Framework](#) (see slide 9). This framework includes six pillars that enable us to craft and target our trend management efforts in a thoughtful and reasonable way, without making draconian cuts to our programs. 89% of webinar attendees agreed with this framework, and 78% said it should be HCPF's top focus.

To further support our efforts to reduce Medicaid trends, HCPF has retained [a third party consultant](#) to compare our programs, reimbursements, cost management solutions and more to other Medicaid programs around the nation. Our trend management strategies will be refined and expanded based on these learnings as well as stakeholder engagement using an external facilitator to invite broad-based stakeholder input. We should receive those consultant insights this winter and will conduct the final round of related stakeholder engagement to solicit feedback at that time.

We are also focused on innovations and advances to help us better control Medicaid cost trends. The Accountable Care Collaborative (ACC) is a major lever in this quest, with ACC Phase III implemented July 1, 2025, including advances such as: case management and health improvement programs; Accountable Care Organization (ACO)-like primary care systems and supports (free to rural health clinics and independent rural PCPs); advances in technologies such as [eConsults](#), [Prescriber Tool](#), [Value Based Payments](#) and more.

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HCPF is also advancing our fraud, waste and abuse processes. Many of our existing efforts satisfy requirements within H.R.1, but additional efforts are needed based on outlier provider behaviors in certain benefit areas and within certain provider types. According to webinar attendees, advancing fraud, waste, and abuse tools and techniques should be one of HCPF's top five priorities. Learn more about our fraud, waste, and abuse efforts from this [fact sheet](#).

### **H.R.1 Federal Impacts**

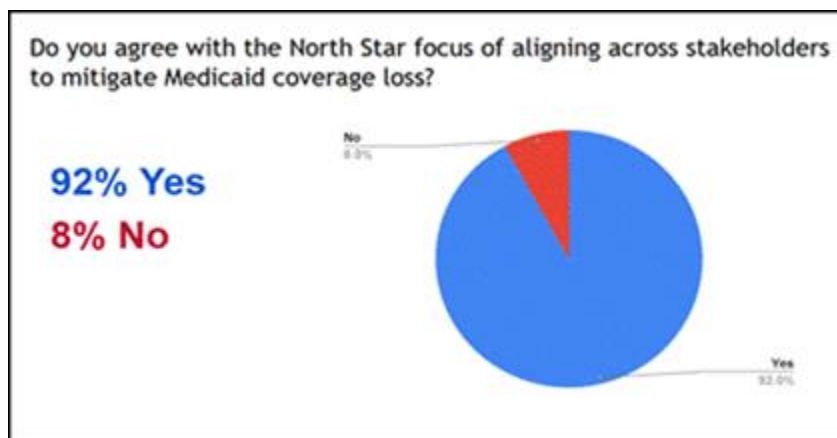
Much of the impact of H.R. 1 will be felt by the 377,000 Coloradans covered by Medicaid expansion. Medicaid expansion was a key provision of the Affordable Care Act (ACA) that allows states to cover more low-income individuals who may not have previously qualified for Medicaid. H.R. 1 impacts the expansion population in three major ways. First, it steadily decreases federal funding through reductions in provider fees, which are projected to reduce available state revenues by \$1-2.5 billion by the end of the impact period 2028-2032. In Colorado, the provider fee is called the CHASE fee and is instrumental in increasing payments to providers as well as financing health coverage for low-income adults; children and pregnant women covered by Child Health Plan Plus (CHP+); and adults and children with disabilities in the Medicaid Buy-In Program.

Second, H.R. 1 increases eligibility redeterminations for Medicaid expansion members from annually to every 6 months, creating more paperwork and administrative burden for both members and our county partners. Finally, H.R. 1 requires states to implement "work requirements" for most "able-bodied adults" to prove they are working, in a work program, going to school, or volunteering at least 80 hours a month (in the aggregate) to qualify for Medicaid coverage. In addition to the administrative burden these two federal mandates create, their implementation also requires new technology investments to build the necessary administrative systems. Risk of member disenrollment is also increased, for not meeting the requirements or not completing the necessary paperwork to prove that they did. Ninety percent (90%) of webinar attendees were alarmed by the emerging health insurance coverage loss threats to Coloradans created through H.R.1.

Loss of coverage may have other impacts, such as increased uninsured rates, poor health outcomes because of a lack of affordable access to care, medical debt or bankruptcies for those who lose coverage and seek care, increased provider uncompensated care, provider layoffs and reductions in services as their revenues fall, the cost shift of uncompensated care to commercial health insurance rates paid by Coloradans and employers, and the negative impact to our overall economy. For all these reasons, our North Star focus is to mitigate inappropriate loss of Medicaid coverage from the impacts of H.R.1, which 92% of

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our webinar attendees agreed with. We thank our partners – providers, consumer advocates, counties, elected officials, Regional Accountable Entities, Case Management Agencies, contracted vendors and more for your collaborative efforts to help us achieve our North Star.



The passage of H.R. 1 also created the Rural Health Transformation Program, which will provide \$50 billion in federal grant funding across states to support rural providers from Federal Fiscal Year 2026 to 2030 (\$5 billion/year). Colorado is leveraging HCPF's expertise and our partner's expertise to apply for this newly available federal funding. We invite you to visit our [fact sheet](#) to learn more about this opportunity. When asked how these funds should be invested in Colorado, webinar attendees ranked "recruiting and retaining clinical workforce talent in rural areas" as their top priority (65%).

### **Our Ask of You and How You Can Engage to Help**

Clearly, H.R.1 creates new challenges. But we are Coloradans, and we know how to come together to tackle a challenge and help each other through that challenge. We are experts at climbing mountains to get to our destination, charting our path, and navigating through difficult terrains.

We have about a year to better prepare for, and do all we can to mitigate, the negative impacts of H.R.1. This makes the challenges we face different than the short time we had to prepare the state for the Public Health Emergency (PHE) Unwind. Please join us in leveraging this time to achieve our shared goals. One of the ways you can help is by sharing our messages to members early and often. Many of you are also trusted messengers - primary care doctors and specialists, behavioral health providers, dentists, consumer advocates, community partners, RAEs, counties, elected officials and more. Our expansion members need to know what actions they need to take, and they need to take them. In this spirit, please share our newly recorded, short [Member Message](#).

We also invite you to bookmark our [Understanding the Impact of Federal Changes to Medicaid website](#) where we will share key implementation information, post updated fact sheets and facilitate opportunities to engage with us all throughout this chapter. Everyone reading this message has a role to play in our quest to achieve our North Star - avoid inappropriate coverage loss, and we are doubling down on facilitating opportunities for you to engage in the coming weeks and months.

You can also send related questions to [hcpf\\_HR1@state.co.us](mailto:hcpf_HR1@state.co.us). Invite colleagues and associates to stay informed by signing up to receive HCPF's [At A Glance Monthly Newsletter](#).

Thank you for your collaborative engagement as we work together to better manage Medicaid trends, avoid cuts to Medicaid, and implement H.R. 1 in a way that achieves our North Star of mitigating coverage loss. We appreciate your partnership.

Thank you,

Kim Bimestefer  
CEO, Health First Colorado  
HCPF Executive Director

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