

February 18, 2026

Dear Members of the CHASE Board:

Thank you once again for your continued service on behalf of Coloradans dependent on CHASE-governed Medicaid financing mechanisms for access to health care services in their communities and across the state.

As you are all aware, the Hospital Provider Fee (HPF) within CHASE plays a vital role in Colorado's health care safety net and delivery system. The \$5 billion in annual funds under your authority:

- Ensures 438,000 Coloradans have health care coverage – Coloradans who would otherwise struggle to find or afford care that meets their needs.
- Draws down \$3.0 billion of federal funding to cover Medicaid expansion populations and covers \$159 million of HCPF administration costs; and
- Facilitates critical financial support to nearly one hundred hospitals, enabling them to serve their communities.

Because you play a critical role in the governance and administration of CHASE and the HPF program, we write today to bring your attention to three critical and timely issues and to seek your support on these matters. Thank you for your consideration of our requests below.

CHASE Cash Fund Balances/ Reserves

As discussed with the CHASE Board, maintaining a positive balance in the CHASE cash fund is necessary to allow for flexibility should the actual expansion costs vary from estimates and to cover timing differences in collection of fees, payments for expansion costs, and receipt of federal funding within the CHASE cash fund. CHA does not dispute that assertion as described in our letters to this Board dated May 12, September 2, and November 13, 2025.

At the September CHASE Board meeting, for the FFY 2024-25, HCPF presented the use of and refund of reserves, resulting in a reserve level of 0.9% of total program expenditures instead of the previous 1.5% limit. We support the establishment and maintenance of an appropriate cash reserve. However, we urge that the CHASE Board be accountable for setting the policy for appropriate reserve levels and for approving the mechanism by which it is funded, thereby ensuring all HPF dollars are being used as efficiently as possible.

Our Ask of the CHASE Board on Cash Fund Balances / Reserves:

- **Follow the reserve established by the CHASE Board the FFY 2024-25 CHASE model and return excess fees collected from hospitals that exceed 0.9% of total program expenditures.**
- **Going forward, for FFY 2025-26 and beyond, it is essential that the CHASE Board be presented with analysis of historical and projected CHASE cash fund balances, including variations in expansion expenditures, to understand the impact of changes in estimates and policy trade-offs of setting reserves at various levels. This should allow Board members to evaluate policy options and make decisions about the appropriate cash reserve level that HCPF staff should plan for in advance of finalizing the provider fee model for the FFY 2025-26.**

Hospital Transformation Program

The HTP program includes a five-year demonstration program called the Hospital Transformation Program (HTP). HTP was established as a value-based initiative to improve Medicaid patient care quality, outcomes, and safety. It was intended to incentivize hospitals to improve quality and reduce costs. The program, however, is not functioning as intended. Instead, it does not drive meaningful improvements in health care quality or patient safety, but it does pose significant financial risk to hospitals, including small and rural hospitals who simply do not have the financial stability to tolerate such risk.

The Challenges:

1. **Penalties, But No Upside:** The program is not meeting the original design which was intended to include a 'Medicaid savings bonus' – see: [HTP Scoring Framework](#). Instead, as implemented, it only puts hospitals at increasing and significant risk of being penalized without the opportunity to earn rewards if the industry advances quality.
2. **Delayed and Data Discrepancies:** An effective quality improvement program must offer providers timely feedback based on sound data, so that they can assess their performance and make meaningful and timely adjustments to practices. HCPF's HTP program is neither timely, nor based on sound data.
 - Reporting on progress to goals and targets are delayed by months/years, reducing the utility of the information for hospitals to minimal. Without timely feedback, hospitals are uncertain if interventions and activities are improving outcomes, only to find out years later if something worked or did not work and may result in significant financial penalty.
 - Outcome measurements first became available in 2025 (for services provided for 10/1/2023-9/30/2024). After reviewing data details, hospitals have identified data discrepancies and, despite our best efforts, have not been able to reach resolution with the State before penalties are assessed.
3. **Significant Financial Risk, Including to Already Vulnerable Hospitals:** In the first year of penalty assessment for outcomes, the financial impacts will be relatively low, but will increase over 400%, in the next two years. By year five, the total HTP penalties will increase to over \$400 million in the last year of the program (measured based on reporting, outcome assessments, and sustainability). The financial risk, particularly to small and rural hospitals already operating on very thin margins, is simply unacceptable. The state risks further destabilizing an already vulnerable health care infrastructure in rural communities.

To be clear, the Colorado Hospital Association and our member hospitals ***support the stated goals of the HTP program and are committed to working with the state to develop an effective and efficient quality program that will improve patient safety and hold the industry accountable for quality-of-care outcomes in fair and reasonable ways, while balancing the financial risk to hospitals through shared incentives and savings.*** The HTP, as implemented, is not meeting the design goals of the program nor administered in a manner that allows for meaningful quality improvement.

Our Ask of the CHASE Board on HTP:

We understand that HCPF has filed a state plan amendment (SPA) with CMS to establish the penalties for year three of the program and moving forward. Based on the above outlined concerns and with the full and unanimous support of the Colorado Hospital Association Board of Directors, we have asked HCPF and the Governor's Office to withdraw the State Plan Amendment (SPA), cease assessment of penalties, and work with us to restructure the HTP to



make it a more effective and fair quality program. **We are asking the CHASE Board to take a formal position in support of our request that the State withdraw the SPA.**

State Directed Payment (SDP) program and 2025/26 CHASE models

In June 2025, the CHASE Board authorized HCPF to file a ‘preprint’ request to CMS to begin a State Directed Payment (SDP) program for Colorado. That new program is meant to bring in hundreds of millions of dollars of new federal funding, accessing critical reimbursement for hospitals to provide Medicaid services to patients in Medicaid managed care. Over the last seven months, HCPF has been fielding questions and updating data and information from CMS to advance the SDP. We appreciate the diligent work of the Department and support the recent decision by HCPF in moving forward with the preprint filed with CMS in June 2025, using the baseline data that was prepared at that time. We request the CHASE Board set the expectation of moving forward with priority and urgency to secure these federal funds, at a time of increased uncertainty with State and Federal funding.

Further, we encourage expeditious action on the part of HCPF staff to update the data and analysis to prepare the 2025/2026 HPF models for review and discussion with stakeholders, including the CHASE Board. In recent years we have experienced frustrating delays and unacceptable timelines for reviewing HPF models. This has left the CHASE Board with little option but to approve the models as presented by HCPF staff, effectively undermining the authority and responsibility of this board to fulfill its statutorily authorized oversight role.

Our Ask of the CHASE Board on SDP and 2025/26 CHASE Model:

- Direct HCPF to engage the CHASE Board prior to the next Board meeting related to the developing CHASE model components (see below). This will assist in providing transparency and appropriate time to evaluate and understand CHASE model drivers and assumptions. The next CHASE Board meeting is not scheduled until April 28, 2026, and, therefore, an additional Board meeting or Board briefing may be necessary.
- Direct HCPF to provide updates to the CHASE board on ongoing status of CMS SDP communications, CMS SDP preprint related questions, and hospital Medicaid managed care utilization/payments.
- Direct HCPF to provide updates to the CHASE Board 2025/26 CHASE modeling, including:
 - ACA and non-ACA total expenditures for CHASE FFY 2025-26
 - HCPF estimated administrative fee for CHASE FFY 2025-26
 - Updated NPR and UPL limits and discuss impacts on CHASE program
 - Provide an expected timeline and milestones for completing the CHASE FFY 2025-26 models

NEMT

Under federal law, NEMT costs can be claimed either as administrative expenses or as medical service expenses. Only Colorado and Minnesota are expansion states that classified all NEMT expenditures for the Medicaid expansion population as administrative costs in 2021. Colorado receives a 90% federal match for medical services provided to expansion populations, but only a 50% match for administrative costs. By treating NEMT solely as an administrative expense, Colorado leaves substantial federal funds on the table. Reclassifying NEMT expenditures as medical services, consistent with federal law and the practice of most other states, would reduce the burden on hospitals and could secure tens of millions in additional federal funding for Colorado’s Medicaid program.

Our Ask of the CHASE Board on HTP:

Direct HCPF to immediately file an 'intent to change' to the SPA to reclassify these funds (see attached example). If this is completed before the end of the quarter, the CHASE program will preserve the ability to seek a higher match as the specifics of the SPA change are developed for future update with CMS.

In partnership,



Jeff Tieman
President & CEO