



Nov. 13, 2025

Dear Members of the CHASE Board:

Over the last six months, the Colorado Hospital Association (CHA) has raised the issue of the CHASE cash reserve policy on multiple occasions and through various modalities, including through formal letters to the CHASE Board from [May 12, 2025](#) and [Sept. 2, 2025](#). We appreciate this Board's responsiveness to our concerns, particularly the decision made in September 2025, in conjunction with approval of the FY 2024-25 model, to refund \$71 million of excess collected fees that had been accumulated in the cash reserve account. Additionally, we appreciate that HCPF staff brought some information on this topic to the CHASE Board at the Oct. 28 meeting and began discussion about the rationale for an appropriate cash reserve amount for this program. We feel there has been positive action on this issue in recent months, but more work is needed – and soon.

It is essential that the CHASE Board be presented with thorough and complete historical data on the CHASE cash fund balances since 2020 and analysis to understand the policy trade-offs of setting reserves at various levels at the Dec. 16, 2025, meeting. This should allow Board members to evaluate policy options before the end of this calendar year and make a decision about the appropriate cash reserve level that HCPF staff should plan for well in advance of reviewing the provider fee model for the FY 2025-26 program year.

As presented during the October CHASE Board meeting, maintaining a positive balance in the CHASE cash fund is necessary to allow for flexibility should the costs for 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. **We support the establishment and maintenance of an appropriate cash reserve and urge that it be funded as efficiently as possible.**

In the spirit of transparency and constructive partnership, we offer our perspective on a few relevant points regarding appropriate cash reserve policy that we hope this Board will consider in your discussions and deliberations on the matter in the weeks and months ahead:

- **Unnecessary and excess reserve amounts funded by hospital-paid fee revenue limits dollars available to support expansion costs and / or supplemental payments that benefit Medicaid members and the providers who serve them.** Fees paid by hospitals are the mechanism by which Colorado draws down federal funding. Optimizing federal funding, particularly in our currently constrained state budget environment, is a shared value among state level policymakers and stakeholders alike. Collecting and holding excess fees in reserve at HCPF does not allow the state to access federal matching. For example, if the collection of hospital fees is at the federal maximum of 6%, and \$50 million of those fees are used to build reserves instead of CHASE program priorities, then the CHASE program would lose out on up to \$450 million of federal funding for that year. Those are dollars that could otherwise be matched and then used to finance expansion costs and / or supplemental payments that benefit Medicaid members and the providers who serve them.

- **Because funding the cash reserve with excess collected fee fails to maximize federal funding, the CHASE board should carefully consider other sources of funds for the cash reserve.** Before using fee assessments to create or maintain reserves, it is worth exploring and evaluating other mechanisms to maintain positive cash fund balances that don't restrict the use of hospital fees that can be matched and used for program priorities. Understanding the inflows and outflows of the cash fund and making adjustments to maintain positive cash fund balances could include changing the *timing* of:
 - fee collections
 - receipt of federal matching funds
 - payments for expansion population expenditures
 - payments of supplemental payments to hospitals
 - funding for state administration expenses

Furthermore, the pending implementation of the State Directed Payment program may also allow for additional flexibility in timing of fees, IGTs, and making payments that provide for opportunity to maintain positive cash fund balance in the CHASE account. In that way, hospital fees are used to obtain federal matching, while the timing of other payment/funding streams are used to maintain positive balances in the CHASE cash fund account.

- **The appropriate level of cash reserve should be informed by the specific needs of this program, informed by historic use data, and not be set based on comparisons to non-similar businesses practices.** At the September CHASE board meeting, 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. HCPF recommended that this reduction would only be a one-time reduction and that in subsequent years staff would recommend the reserve being increased back to 1.5%. To support this recommendation, HCPF stated that *"Best practices call for at least 2 months' revenue in the cash fund to be fiscally responsible. The 0.9% amount in the cash fund is about 13 days' revenue, which is a high risk. Reducing the cash fund is not a sustainable or responsible practice..."* (referenced [here](#)).

CHA disagrees. The CHASE enterprise is not a traditional business entity that has daily expense fluctuations and unreliable or unstable revenues. Revenues for the CHASE program are set annually and do not vary once established. The CHASE expenditures for hospital payments are also set annually with no variation once established. Only the costs for Medicaid expanded populations vary based on actual payments and would necessitate reserves. It is important to understand, however, costs for expansion are charged to the CHASE program on a paid basis and not an accrual basis. While those costs may vary during the year, the CHASE does not need to account for all / ultimate claims runout for a particular period of time. Those costs will be included in future years when the actual claims are paid out. As such, comparison to other business entities days cash on hand (DCOH) or even other Colorado enterprises DCOH is not relative or similar to CHASE and should not be a consideration when setting the appropriate reserve level. Instead, reserve levels should be established based on CHASE specific transactions, history, and future needs.



While this issue has been a priority for hospitals for many months, the urgency of the situation is heightened by the budget realities facing the state of Colorado and the further cuts to Medicaid that are coming through federal policy change on the horizon. Simply put, every Medicaid dollar matters. We must work diligently and expeditiously to be as efficient and thoughtful as possible when setting administrative policies, including this one. Our shared goal should be to mitigate damage and harm to Medicaid members and the providers who serve them. It is in that spirit that we are approaching this work to determine CHASE reserve policy. We appreciate your attention on this matter and look forward to continuing this discussion as constructive partners.

Sincerely,

Tom Rennell
Senior Vice President, Financial Policy and Data Analytics
Colorado Hospital Association