

September 2, 2025

To the CHASE Board:

We are pleased that UHealth and HCPF have reached a settlement on the CHASE model categorization of Memorial Hospital and Poudre Valley Care, Inc. (PVH) as private hospitals for Federal Fiscal Year (FFY) 2024-25 and going forward. We are also pleased that the settlement will not require any changes to the FFY 2023-24 CHASE model, which means 28 rural hospitals and Denver Health will not have to return any payments made through CHASE in 2023-2024. CHA supports preserving the **FFY 2023-24** CHASE model as previously adopted.

The **FY2024/25** model was shared with all hospitals by HCPF's Nancy Dolson on August 26. The model has been updated to implement the classification changes of Memorial Hospital and PVH, and additional changes to minimize the impact of the classification changes to other hospitals. The FY 2024/25 model proposal also includes a refund of excess reserve fees totaling \$71 million paid back to hospitals. We recognize the time constraints that have brought us to this point and support moving ahead with the proposed 2024-25 CHASE model but going forward, we must adopt a process that provides appropriate time and opportunity for review, input, and transparency.

Three areas of concern require rapid and decisive action by the CHASE Board: 1) an immediate reduction or elimination of CHASE reserve funds followed by an evaluation and update of the principles and policy of CHASE reserve funds 2) an evaluation and rationalization of the administration costs being charged to CHASE, which have grown 377% since 2016, and 3) an exploration of program changes to optimize federal funding on low-match rate programs including non-emergent medical transportation (NEMT).

**We are also writing to state again that we believe the program is structurally flawed and has become unsustainable. We call for the CHASE Board to return to a balanced framework that delivers benefit for fee payers, Medicaid-eligible Coloradans, and the State, and hold itself and HCPF to a higher standard of transparency, accountability, and effectiveness for this program.**

While it is now too late to address these urgent priorities for the 2024-25 model year, we expect the Board will have ample time and opportunity to engage with HCPF staff in developing future models that address the following issues:

1. This program was designed to provide a “win-win-win” scenario for hospitals, the state, and Coloradans. Our health care system has changed significantly since the HPF inception, which predates even the 2010 Affordable Care Act (ACA). As costs for expanded populations and state administration expenses have increased beyond sustainable levels, the HPF program no longer achieves its original “win-win-win” scenario.
  - a. Specifically, in this 2024/2025 model, excluding the one-time use of reserve funds, the net payments to hospitals have decreased by \$(11) million while the costs for the HCPF administration and Medicaid expansion costs have increased \$590 million.
  - b. Even more striking is that fees assessed on hospitals to fund Medicaid expansions have grown 762% in the last decade, while hospital benefit (in the form of net reimbursement) increased 7%

- illustrating a stark and dangerous deterioration in the “win-win-win” outcomes of the program.
2. We are encouraged that the UCHHealth settlement requires specific timelines for deliberation on future models and expect that the CHASE Board will help to hold HCPF staff accountable to those timelines in the future.
  3. Together we must aggressively pursue additional and alternative federal funding sources for Medicaid including implementation of the State Directed Payment (SDP) program and updates to other programs to achieve higher federal matching, including, as an example, non-emergent medical transportation (NEMT) mentioned previously.
  4. CHA also seeks a deeper understanding of all coverage funded by the CHASE program including how the programs are governed, administered, and monitored to ensure costs are appropriate, managed, and controlled. This should include determining whether changes are required to better reflect available resources to fund ongoing coverage for these populations.

CHA and our members stand ready to support the CHASE Board and HCPF in navigating these challenges and appreciate your serious consideration of the issues raised here.



Jeff Tieman

President & CEO