

Department of Health Care Policy and Financing

Funding Request for the FY 2025-26 Budget Cycle

Request Title

R-09 Provider Rate Adjustments

Dept. Approval By: _____	_____	Supplemental FY 2024-25
OSPB Approval By: _____	_____	Budget Amendment FY 2025-26
	X	Change Request FY 2025-26

Summary Information	FY 2024-25			FY 2025-26		FY 2026-27
	Fund	Initial Appropriation	Supplemental	Base Request	Change Request	Continuation
			Request			
Total		\$11,931,356,051	\$0	\$12,009,671,603	(\$74,557,080)	(\$81,334,996)
FTE		0.0	0.0	0.0	0.0	0.0
Total of All Line Items Impacted by Change Request	GF	\$3,573,779,779	\$0	\$3,561,445,916	(\$22,148,958)	(\$24,162,499)
	CF	\$1,321,506,284	\$0	\$1,312,107,528	(\$6,183,380)	(\$6,745,504)
	RF	\$120,304,766	\$0	\$120,304,766	\$0	\$0
	FF	\$6,915,765,222	\$0	\$7,015,813,393	(\$46,224,742)	(\$50,426,993)

Line Item Information	FY 2024-25			FY 2025-26		FY 2026-27
	Fund	Initial Appropriation	Supplemental	Base Request	Change Request	Continuation
			Request			
Total		\$11,931,356,051	\$0	\$12,009,671,603	(\$74,557,080)	(\$81,334,996)
02. Medical Services	FTE	0.0	0.0	0.0	0.0	0.0
Premiums, (A) Medical Services Premiums, (1)	GF	\$3,573,779,779	\$0	\$3,561,445,916	(\$22,148,958)	(\$24,162,499)
Medical Services	CF	\$1,321,506,284	\$0	\$1,312,107,528	(\$6,183,380)	(\$6,745,504)
Premiums - Medical Services Premiums	RF	\$120,304,766	\$0	\$120,304,766	\$0	\$0
	FF	\$6,915,765,222	\$0	\$7,015,813,393	(\$46,224,742)	(\$50,426,993)

Auxiliary Data

Requires Legislation? NO

Type of Request?	Health Care Policy and Financing Prioritized Request	Interagency Approval or Related Schedule 13s:	No Other Agency Impact
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Department Priority: R-9 Provider Rate Adjustments

Summary of Funding Change for FY 2025-26

Fund Type	FY 2025-26 Base Request	FY 2025-26 Incremental Request	FY 2026-27 Incremental Request
Total Funds	\$12,009,671,603	(\$74,557,080)	(\$81,334,996)
General Fund	\$3,561,445,916	(\$22,148,958)	(\$24,162,499)
Cash Funds	\$1,312,107,528	(\$6,183,380)	(\$6,745,504)
Reappropriated Funds	\$120,304,766	\$0	\$0
Federal Funds	\$7,015,813,393	(\$46,224,742)	(\$50,426,993)
FTE	0.0	0.0	0.0

Summary of Request

Problem or Opportunity: The State is facing limited General Fund spending growth. The Department has identified provider rate reductions to reduce the impact of Medicaid spending on the State’s budget balancing for FY 2025-26 and ongoing. In addition, there are currently discrepancies in the rates paid for certain services between the Home and Community Based Services (HCBS) waivers; these rates must be aligned when the Department implements Community First Choice on July 1, 2025.

Proposed Solution: The Department proposes adjusting provider rates across several service categories to meet the projected budget shortfall. This includes setting rates that are currently above 95% of the Medicare benchmark to 95% of the Medicare benchmark, reducing the dental rate increases that were effective in FY 2024-25, reducing the Pediatric Behavioral Therapies rate increases that were effective in FY 2024-25, and rebalancing and aligning the rates for services that will be moved from the HCBS waivers to the state plan through Community First Choice.

Fiscal Impact of Solution: The Department requests a reduction of \$74.6 million total funds, including \$22.1 million General Fund in FY 2025-26 and a reduction of \$81.3 million total funds, including \$24.2 million General Fund in FY 2026-27 and ongoing to implement the proposed rate adjustments.

Requires Legislation	Equity Impacts	Revenue Impacts	Impacts Another Department?	Statutory Authority
No	Negative	No	No	25.5-4-401, C.R.S.

Background and Opportunity

Medicaid Provider Rate Review Advisory Committee (MPRACC)

Colorado’s Medicaid program currently provides health care access to about 1.3 million people with a budget of \$12.0 billion. Most providers are paid on a fee-for-service basis, meaning the Department pays for each incurred service based on a set rate. Pursuant to section 25.5-4-401.5, C.R.S., the Department is required to periodically perform reviews of provider rates under the Colorado Medical Assistance Act. Section 25.5-4-401.5, C.R.S. also established the Medicaid Provider Rate Review Advisory Committee (MPRRAC) to assist in the review of provider reimbursement rates.

Pediatric Behavioral Therapies

In Colorado, Medicaid members have access to various pediatric behavioral therapies for children with developmental, emotional, or behavioral challenges if they are 20 years old and younger and meet the Early and Periodic Screening, Diagnostic and Treatment (EPSDT) medical necessity criteria for behavioral therapy services.

Dental Benefit

The Department has always provided a comprehensive dental benefit for children. The adult dental program began in 2013 with the passage of SB 13-242, which authorized the Department to create a new limited dental benefit for adults aged 21 and over. Effective July 1, 2024, adult members can receive dental services with no annual limit.

Community First Choice

Community First Choice (CFC) allows states to offer attendant care services on a state-wide basis to eligible members. Currently, attendant care services are provided through Home- and Community-Based Services. Through CFC, members would have the option to direct their attendant care services or to receive services through an agency. The state does not offer services through CFC at this time but is currently working to implement by July 1, 2025. Many services that are set to transition to the State Plan from existing waivers are currently being reimbursed at different rates for different waivers. Under the State Plan, the Department must reimburse a standardized rate for the same service regardless of the member’s disability or diagnosis, rates cannot vary in CFC the same way they can under 1915(c) waivers.

Proposed Solution and Anticipated Outcomes

The Department requests targeted rate changes in order to save \$74,557,080 total funds, including \$22,148,958 General Fund in FY 2025-26 and \$81,334,996 total funds, including \$24,162,499 General Fund in FY 2026-27 and future years. The requested reductions would help alleviate the budget shortfall.

It is important to note that these changes will only be possible with federal approval, which will include access to care reviews. The access to care regulations requires the Department to meet three conditions for CMS approval:

- Medicaid payments following a proposed reduction in each benefit category would still be at or above 80% of the most recently published Medicare payment rates for comparable services.
- The proposed reduction would result in no more than a 4 percent aggregate reduction in Medicaid expenditures for each benefit category affected by the proposed reduction in a single Fiscal Year.
- Any access to care concerns can be reasonably mitigated or responded to by the Department.

Rate Reduction to 95% of Medicare

The Department requests to reduce the rates for certain services that are currently above 95% of the Medicare rates to 95% of the Medicare rates. By setting the rates slightly below the full Medicare benchmark, the Department can reduce overall spending without significantly impacting health care providers or the services they offer.

Pediatric Behavioral Therapies

Last year, the Department's recommendation was to rebalance the rates for pediatric behavioral therapies to 100% of the benchmark of other state Medicaid agency rates. That benchmark did not include Nebraska, which had very high rates compared to the other states. The General Assembly approved funding to increase rates based on the MPRRAC's recommendation to the benchmark that included Nebraska, which resulted in higher overall rates for the services, effective February 11, 2024. The Department recommends reducing the rates to 100% of the benchmark of other state Medicaid agency rates without the inclusion of Nebraska.

Dental Rate Reduction

Last year, the Joint Budget Committee (JBC) approved significant targeted rate increases for 25 dental codes. Given the budget situation, the Department can scale back the rate increases while still keeping the rates above the levels set in FY 2023-24. The Department will continue to provide services without an annual limit for adults.

Community First Choice

The Department has previously requested resources for CFC implementation in its FY 2023-24 BA-7, "Community Based Access to Services" decision item. The Department anticipates significant General Fund savings from existing services that will move from HCBS waivers to the State Plan due to the enhanced FFP the Department will receive, however certain rates need to

be aligned to match their existing waiver counterparts. This rebalancing can occur in a budget neutral way with rates for certain services increasing while other rates for services will decrease.

Supporting Evidence and Evidence Designation

The Department assumes that an Evidence Designation is not applicable to this request because the request does not meet the statutory definition for a program or practice. To be considered a program or practice, the request must have specific outcomes, a target population, and defined and replicable elements. The State has existing authority to increase or decrease provider rates as long as federal guidelines pertaining to efficiency, economy, and quality of care are met.

Promoting Equitable Outcomes

The request to reduce Medicaid provider rates reflects a difficult decision on how to balance the state's budget needs with appropriate reimbursement to Medicaid providers. This change negatively affects the providers who serve Medicaid members and requires careful consideration to ensure that the provider landscape remains strong enough to meet the varied needs of communities across the state. While these adjustments help protect the state's financial stability, they also aim to ensure that members continue to access quality care as the Department navigates the challenge of supporting both providers and beneficiaries. The Department will be required to submit access to care reviews to CMS with the state plan amendments to reduce rates and will monitor utilization upon implementation.

Assumptions and Calculations

Rate Reduction to 95% of Medicare

The Department calculated the impact of reducing rates to 95% of Medicare by examining which rates were above 95% of the current Medicare rates and calculating the incremental reduction to that level. Rates that were already at or below 95% of Medicare were untouched. See appendix for the specific reductions by service category.

Pediatric Behavioral Therapies

The Department calculated the difference between the amount requested in the FY 2024-25 R-6 "Provider Rate Adjustments" request for pediatric behavioral therapies, which excluded Nebraska from the benchmark rate, and the higher rates approved for implementation based on the MPRRAC recommendations for this service category.

Dental Rate Reduction

The Department calculated the impact of reducing the targeted rate increases that were requested and approved in FY 2024-25 R-6 "Provider Rate Adjustments" by 43.6%, which would scale the rate increases back but ensure the rates remain above the rates in effect in FY 2023-24.

Community First Choice Rebalance

The Department's proposed changes to rebalance the rates across personal care, homemaker, In Home Services and Supports (IHSS) health maintenance, and Consumer Directed Attendant Support Services (CDASS) are outlined in detail in the appendix. The Department estimated the impact by applying the change in rates to last year's expenditure.

R-9 Provider Rate Adjustments
Appendix A: Assumptions and Calculations

Table 1.1 Summary by Line Item FY 2025-26									
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP Rate	Notes/Calculations
A	(2) Medical Services Premiums, Medical and Long-Term Care Services for Medicaid Eligible Individuals	(\$74,557,080)	0.0	(\$22,148,958)	(\$6,183,380)	\$0	(\$46,224,742)	62.00%	Table 2.1
B	Total Request	(\$74,557,080)	0.0	(\$22,148,958)	(\$6,183,380)	\$0	(\$46,224,742)	62.00%	Row A

R-9 Provider Rate Adjustments
Appendix A: Assumptions and Calculations

Table 1.2 Summary by Line Item FY 2026-27									
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP Rate	Notes/Calculations
A	(2) Medical Services Premiums, Medical and Long-Term Care Services for Medicaid Eligible Individuals	(\$81,334,996)	0.0	(\$24,162,499)	(\$6,745,504)	\$0	(\$50,426,993)	62.00%	Table 2.2
B	Total Request	(\$81,334,996)	0.0	(\$24,162,499)	(\$6,745,504)	\$0	(\$50,426,993)	62.00%	Row A

R-9 Provider Rate Adjustments
Appendix A: Assumptions and Calculations

Table 2.1 Summary by Initiative FY 2025-26									
Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP Rate	Notes/Calculations
A	Medicare Rate Reduction	(\$21,103,833)	0.0	(\$6,268,202)	(\$1,016,240)	\$0	(\$13,819,391)	65.48%	Table 3.1 * (11/12)
B	Dental Rate Reduction	(\$34,219,469)	0.0	(\$6,248,476)	(\$5,167,140)	\$0	(\$22,803,853)	66.64%	Table 4.1 * (11/12)
C	Pediatric Behavioral Therapies Reduction	(\$19,490,302)	0.0	(\$9,745,151)	\$0	\$0	(\$9,745,151)	50.00%	Table 5.1
D	Community First Choice Rebalance	\$256,524	0.0	\$112,871	\$0	\$0	\$143,653	56.00%	Table 6.1
E	Total Request	(\$74,557,080)	0.0	(\$22,148,958)	(\$6,183,380)	\$0	(\$46,224,742)	62.00%	Row A + Row F

Table 2.2 Summary by Initiative FY 2026-27									
Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP Rate	Notes/Calculations
A	Medicare Rate Reduction	(\$23,022,363)	0.0	(\$6,838,038)	(\$1,108,625)	\$0	(\$15,075,700)	65.48%	Table 3.1
B	Dental Rate Reduction	(\$37,330,331)	0.0	(\$6,816,519)	(\$5,636,879)	\$0	(\$24,876,933)	66.64%	Table 4.1
C	Pediatric Behavioral Therapies Reduction	(\$21,262,146)	0.0	(\$10,631,073)	\$0	\$0	(\$10,631,073)	50.00%	Table 5.1
D	Community First Choice Rebalance	\$279,844	0.0	\$123,131	\$0	\$0	\$156,713	56.00%	Table 6.1
E	Total Request	(\$81,334,996)	0.0	(\$24,162,499)	(\$6,745,504)	\$0	(\$50,426,993)	62.00%	Row A + Row F

R-9 Provider Rate Adjustments
Appendix A: Assumptions and Calculations

Table 3.1 Rate Reduction to 95% of Medicare			
	Current	Proposed	Difference
Anesthesia	\$26,869,606	\$24,639,600	(\$2,230,006)
Maternity	\$37,612,153	\$35,543,891	(\$2,068,262)
Behavioral Health Fee For Service	\$17,500,713	\$16,174,389	(\$1,326,324)
Surgery	\$110,531,109	\$107,246,713	(\$3,284,396)
Physician - Sleep Study	\$3,598,376	\$2,778,607	(\$819,769)
Physician - EEG Ambulatory Monitoring	\$2,521,971	\$2,067,046	(\$454,925)
Dialysis and Nephrology Services	\$1,243,583	\$1,238,471	(\$5,113)
Durable Medical Equipment	\$33,234,849	\$31,641,409	(\$1,593,440)
Laboratory and Pathology Services	\$74,960,263	\$71,590,081	(\$3,370,182)
Injections and other Miscellaneous J-Codes	\$1,366,913	\$1,334,747	(\$32,167)
Eyeglasses and Vision	\$25,091,931	\$25,030,700	(\$61,231)
Physician	\$488,618,362	\$480,841,812	(\$7,776,549)
Total	\$823,149,830	\$800,127,466	(\$23,022,363)

R-9 Provider Rate Adjustments
Appendix A: Assumptions and Calculations

Table 4.1 Pediatric Behavioral Therapies				
Item	Current	Projected	Difference	Notes
FY 2025-26	\$31,424,738	\$11,934,437	(\$19,490,301)	FY 2024-25 R-06 "Provider Rate Adjustments"
FY 2026-27	\$34,281,532	\$13,019,386	(\$21,262,146)	FY 2024-25 R-06 "Provider Rate Adjustments"

R-9 Provider Rate Adjustments
Appendix A: Assumptions and Calculations

Table 5.1 Dental Reduction							
Row	Item	Total	GF	HAS Fee	Adult Dental	Federal Funds	Notes
A	FY 2024-25 Rate Increase	\$78,485,021	\$14,331,366	\$3,257,128	\$8,594,110	\$52,302,417	FY 2025-25 R-06 "Provider Rate Adjustments"
B	Reduction Percent	43.60%	43.60%	43.60%	43.60%	43.60%	
C	Reduction amount	\$34,219,469	\$6,248,476	\$1,420,108	\$3,747,032	\$22,803,853	Row A * Row B
D	FY 2025-26 Rate Increase	\$85,620,023	\$15,634,217	\$3,553,230	\$9,375,393	\$57,057,183	
E	Reduction amount	\$37,330,330	\$6,816,519	\$1,549,208	\$4,087,671	\$24,876,932	Row D * Row B

R-9 Provider Rate Adjustments
Appendix A: Assumptions and Calculations

Table 6.1 Community First Choice Rebalance										
Row	Service	Service Type	County	7/1/2024 Rates	Aligned Rate	Rate Difference	Percentage Increase	Total Paid CY23	Alignment Total Impact	Alignment GF Impact
Health Maintenance - Denver										
A	IHSS Health Maintenance	In-Home Support Services	Denver	\$9.48	\$9.23	(\$0.25)	-1.00%	\$22,546,952	(\$225,470)	(\$112,735)
B	IHSS Health Maintenance - CHCBS	In-Home Support Services	Denver	\$9.48	\$9.23	(\$0.25)	-1.00%	\$11,318,132	(\$113,181)	(\$56,591)
C	CDASS Health Maintenance	Consumer Directed Attendant Support Services (CDASS)	Denver	\$9.61	\$9.10	(\$0.51)	-1.00%	\$6,510,224	(\$65,102)	(\$32,551)
D	CDASS SLS Health Maintenance	Consumer Directed Attendant Support Services (CDASS)	Denver	\$9.61	\$9.10	(\$0.51)	-1.00%	\$427,749	(\$4,277)	(\$2,139)
Health Maintenance - Non-Denver										
E	IHSS Health Maintenance	In-Home Support Services	Non-Denver	\$9.20	\$9.12	(\$0.08)	-1.00%	\$104,880,384	(\$1,048,804)	(\$524,402)
F	IHSS Health Maintenance - CHCBS	In-Home Support Services	Non-Denver	\$9.20	\$9.12	(\$0.08)	-1.00%	\$159,358,665	(\$1,593,587)	(\$796,794)
G	CDASS SLS Health Maintenance	Consumer Directed Attendant Support Services (CDASS)	Non-Denver	\$9.51	\$9.05	(\$0.46)	-1.00%	\$4,156,916	(\$41,569)	(\$20,785)
H	CDASS Health Maintenance	Consumer Directed Attendant Support Services (CDASS)	Non-Denver	\$9.51	\$9.05	(\$0.46)	-1.00%	\$103,265,802	(\$1,032,658)	(\$516,329)
Personal Care - Denver										
I	Personal Care	Personal Care	Denver	\$7.61	\$7.26	(\$0.35)	-4.60%	\$64,538,123	(\$2,968,245)	(\$1,484,123)
J	IHSS Personal Care	In-Home Support Services	Denver	\$7.22	\$7.26	\$0.04	1.00%	\$7,633,599	\$76,336	\$38,168
K	Personal Care SLS	Personal Care	Denver	\$8.13	\$7.26	(\$0.87)	-10.70%	\$1,789,553	(\$191,502)	(\$95,751)
L	CDASS Personal Care	Consumer Directed Attendant Support Services (CDASS)	Denver	\$6.55	\$6.95	\$0.40	6.11%	\$3,835,707	\$234,242	\$117,121
M	CDASS SLS Personal Care	Consumer Directed Attendant Support Services (CDASS)	Denver	\$7.86	\$6.95	(\$0.91)	-11.58%	\$64,489	(\$7,466)	(\$3,733)
N	Personal Care, Relative	Personal Care	Denver	\$7.22	\$7.26	\$0.04	1.00%	\$11,580,238	\$115,802	\$57,901
O	IHSS Relative Personal Care	In-Home Support Services	Denver	\$7.22	\$7.26	\$0.04	1.00%	\$34,166,452	\$341,665	\$170,833
Personal Care - Non-Denver										
P	Personal Care	Personal Care	Non-Denver	\$7.02	\$6.96	(\$0.06)	-0.85%	\$109,260,656	(\$933,852)	(\$466,926)
Q	IHSS Personal Care	In-Home Support Services	Non-Denver	\$6.60	\$6.96	\$0.36	5.45%	\$23,013,786	\$1,255,296	\$627,648
R	Personal Care SLS	Personal Care	Non-Denver	\$7.54	\$6.96	(\$0.58)	-7.69%	\$10,094,595	(\$776,506)	(\$388,253)
S	CDASS Personal Care	Consumer Directed Attendant Support Services (CDASS)	Non-Denver	\$6.23	\$6.71	\$0.48	7.70%	\$60,842,361	\$4,687,694	\$2,343,847
T	CDASS SLS Personal Care	Consumer Directed Attendant Support Services (CDASS)	Non-Denver	\$7.75	\$6.71	(\$1.04)	-13.42%	\$1,022,934	(\$137,272)	(\$68,636)
U	Personal Care, Relative	Personal Care	Non-Denver	\$6.60	\$6.96	\$0.36	5.45%	\$23,027,409	\$1,256,041	\$628,020
V	IHSS Relative Personal Care	In-Home Support Services	Non-Denver	\$6.60	\$6.96	\$0.36	5.45%	\$113,776,748	\$6,206,004	\$3,103,002
Homemaker - Denver										
W	Homemaker	Homemaker	Denver	\$7.61	\$6.88	(\$0.73)	-9.59%	\$8,288,899	(\$795,123)	(\$397,562)
X	IHSS Homemaker	In-Home Support Services	Denver	\$7.22	\$6.88	(\$0.34)	-4.71%	\$11,849,715	(\$558,021)	(\$279,010)
Y	Homemaker SLS CES	Homemaker	Denver	\$7.22	\$6.88	(\$0.34)	-4.71%	\$1,233,964	(\$58,110)	(\$29,055)
AA	CDASS Homemaker	Consumer Directed Attendant Support Services (CDASS)	Denver	\$6.55	\$6.55	\$0.00	0.00%	\$830,278	\$0	\$0
BB	CDASS SLS Homemaker	Consumer Directed Attendant Support Services (CDASS)	Denver	\$6.28	\$6.55	\$0.27	4.30%	\$13,959	\$600	\$300
Homemaker - Non-Denver										
CC	Homemaker	Homemaker	Non-Denver	\$7.01	\$6.50	(\$0.51)	-7.28%	\$27,278,067	(\$1,984,567)	(\$992,284)
DD	IHSS Homemaker	In-Home Support Services	Non-Denver	\$6.60	\$6.50	(\$0.10)	-1.52%	\$26,808,054	(\$406,183)	(\$203,092)
EE	Homemaker SLS CES	Homemaker	Non-Denver	\$6.08	\$6.50	\$0.42	6.91%	\$7,755,840	\$535,766	\$267,883
FF	CDASS Homemaker	Consumer Directed Attendant Support Services (CDASS)	Non-Denver	\$6.23	\$6.20	(\$0.03)	-0.48%	\$13,169,955	(\$63,418)	(\$31,709)
GG	CDASS SLS Homemaker	Consumer Directed Attendant Support Services (CDASS)	Non-Denver	\$6.17	\$6.20	\$0.03	0.49%	\$221,425	\$1,077	\$538
Enhanced Homemaker - Denver (benefit changing to just extraordinary cleaning)										
HH	Enhanced Homemaker SLS CES	Homemaker	Denver	\$9.82	\$8.80	(\$1.02)	-10.39%	\$2,291,885	(\$238,057)	(\$119,029)
Enhanced Homemaker - Non-Denver (benefit changing to just extraordinary cleaning)										
JJ	Enhanced Homemaker SLS CES	Homemaker	Non-Denver	\$9.12	\$8.45	(\$0.67)	-7.35%	\$16,167,020	(\$1,187,709)	(\$593,854)
KK	Total							\$993,020,537	\$279,843	\$139,922