

Department of Health Care Policy and Financing

Funding Request for the FY 2025-26 Budget Cycle

Request Title

R-16 Medicaid Financing Reductions

Dept. Approval By: _____ **Supplemental FY 2024-25**

OSPB Approval By: _____ **Budget Amendment FY 2025-26**

X

_____ **Change Request FY 2025-26**

Summary Information	Fund	FY 2024-25		FY 2025-26		FY 2026-27
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$11,931,356,051	\$0	\$12,009,671,603	\$0	\$0
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	(\$698,757)	\$0
	CF	\$1,321,506,284	\$0	\$1,312,107,528	\$698,757	\$0
	RF	\$120,304,766	\$0	\$120,304,766	\$0	\$0
	FF	\$6,915,765,222	\$0	\$7,015,813,393	\$0	\$0

Line Item Information	Fund	FY 2024-25		FY 2025-26		FY 2026-27
		Initial Appropriation	Supplemental Request	Base Request	Change Request	Continuation
Total		\$11,931,356,051	\$0	\$12,009,671,603	\$0	\$0
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	(\$698,757)	\$0
Medical Services	CF	\$1,321,506,284	\$0	\$1,312,107,528	\$698,757	\$0
Premiums - Medical Services Premiums	RF	\$120,304,766	\$0	\$120,304,766	\$0	\$0
	FF	\$6,915,765,222	\$0	\$7,015,813,393	\$0	\$0

Auxiliary Data			
Requires Legislation?	YES		
Type of Request?	Health Care Policy and Financing Prioritized Request	Interagency Approval or Related Schedule 13s:	No Other Agency Impact



Department Priority: R-16 Medicaid Financing Reductions

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	\$0	\$0
General Fund	\$3,561,445,916	(\$698,757)	\$0
Cash Funds	\$1,312,107,528	\$698,757	\$0
Reappropriated Funds	\$120,304,766	\$0	\$0
Federal Funds	\$7,015,813,393	\$0	\$0
FTE	0.0	0.0	0.0

Summary of Request

Problem or Opportunity: The Department has identified two financing opportunities to reduce the impact of Medicaid spending on the State’s budget balancing for FY 2025-26.

Proposed Solution: The Department proposes implementing two initiatives to help balance the FY 2025-26 budget: repeal outdated cash funds and use the remaining balances to offset General Fund; and move the Medicaid Buy-In cash fund to the Colorado Healthcare Affordability and Sustainability Enterprise (CHASE), which is TABOR exempt. These initiatives would reduce the need for General Fund to balance the FY 2025-26 budget with no impact on Medicaid members or providers.

Fiscal Impact of Solution: The Department requests \$0 total funds, including a reduction of \$0.7 million General Fund and 0.0 FTE, to implement the budget reductions identified in this request. Repealing outdated cash funds would require a bill specifying that the remaining balances in each cash fund must be used to offset General Fund; this would allow for one-time savings in FY 2025-26. Moving the Medicaid Buy-In cash fund to the CHASE would also require a bill and would allow the revenues into the cash fund to be TABOR exempt on an ongoing basis.

Requires Legislation	Equity Impacts	Revenue Impacts	Impacts Another Department?	Statutory Authority
Yes	Neutral	Yes: Medicaid Buy-In cash fund would be TABOR exempt	No	Repealing outdated cash funds: Pediatric Hospice Care 25.5-5-305(6); Colorado Health Care Services 25.5-3-112(1); Primary Care Provider Sustainability Fund 25.5-5-418 Moving Medicaid Buy-In to CHASE: 25.5-6-1404(3)

Background and Opportunity

Repealing Outdated Cash Funds

The three outdated cash funds are described below, along with the current available revenue in each fund.

- Pediatric Hospice Care cash fund:** This cash fund was created in Section 25.5-5-305(6), C.R.S. to fund the administrative costs of preparing and submitting a waiver application to the Centers for Medicare & Medicaid Services (CMS) for pediatric hospice care. The Department received grant funding from Children’s Hospital for this purpose, which was deposited in the fund and used to pay for the administrative costs as specified in statute. There is \$431 currently in the fund.
- Colorado Health Care Services cash fund:** This cash fund was created in Section 25.5-3-112(1), C.R.S. with money appropriated from the General Fund to the fund. Statute specified how to distribute the funds each year from FY 2006-07 through FY 2011-12 to Denver Health, community health clinics, and primary care clinics. There have been no additional appropriations since FY 2011-12. There is \$674,317 currently in the fund.
- Primary Care Provider Sustainability Fund:** This fund was created in Section 25.5-5-418, C.R.S. with money transferred from the Children’s Basic Health Plan Trust. The cash fund was used to increase rates in FY 2016-17 for primary care office visits, immunization administration, health screening services, and newborn care, including neonatal critical care. There were no further appropriations from the fund after that year. There is \$24,009 currently in the fund.

Moving the Medicaid Buy-In Cash Fund to Enterprise

The Department administers two programs that allow individuals with disabilities to “buy in” to receive Medicaid coverage. One is the Buy-In Program for Working Adults with Disabilities, which allows individuals 16 years and older who are currently working, have a qualifying disability, and whose income does not exceed 450% of the federal poverty level to pay a monthly premium to receive Medicaid coverage. This could include long term services and supports for those who qualify for those services. The second program is the Buy-In Program for Children with Disabilities. This program is for children with qualifying disabilities whose families earn too much to qualify for Medicaid, but their income does not exceed 300% of the federal poverty level. Like the adult program, the families must pay a monthly premium to receive Medicaid coverage.

The premiums that the Department collects from members enrolled in both buy-in programs are deposited into the Medicaid Buy-In cash fund established in Section 25.5-6-1404(3), C.R.S., and used to offset program expenditures. The program expenditures are otherwise funded through the Healthcare Affordability and Sustainability Fee (HAS Fee) cash fund and matching federal funds, which are part of the CHASE, a TABOR-exempt enterprise. The Medicaid Buy-In cash fund is not TABOR exempt.

The State did not require members enrolled in the buy-in programs to pay the monthly premiums to remain covered during the Public Health Emergency (PHE) and the PHE unwind period. Members will be required to pay premiums starting in April 2025. The Department will deposit the premiums into the Medicaid Buy-In cash fund and resume using the fund to offset program expenditures in FY 2025-26. The projected expenditures are accounted for in the FY 2025-26 R-1, “Medical Services Premiums.”

Proposed Solution and Anticipated Outcomes

The Department requests a reduction of \$698,757 General Fund in FY 2025-26 to statutorily repeal three outdated cash funds and use the remaining fund balances to offset General Fund expenditures within Medical Services Premiums. This would require a bill to repeal the cash funds and specify that the remaining amounts in the funds can be used to offset General Fund.

The Department requests to move the Medicaid Buy-In cash fund into the CHASE enterprise. This would not change the projected revenue or expenditure for the cash fund but would allow the fund to be exempt from TABOR in the same manner that the HAS Fee is currently.

Supporting Evidence and Evidence Designation

The Department determined that the Evidence Designation for this request is Not Applicable as it does not meet the statutory definition of a program or practice.

Promoting Equitable Outcomes

The Department has identified this request as equity-neutral, given that the request affects only Department financing and operations. There is no impact on Medicaid members and providers.

Assumptions and Calculations

The Department determined the remaining fund balances in the three outdated cash funds to calculate the impact of potential General Fund relief available, contingent on a bill authorizing the use of those funds in that way. The Department calculated the impact of moving the Medicaid Buy-In cash fund to the CHASE based on the projected amount that would be collected and spent in the Department's November 1, 2024 request.

R-16 Medicaid Financing Reductions
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	Medical Services Premiums	\$0	0.0	(\$698,757)	\$698,757	\$0	\$0	Blended	Table 2.1
B	Total Request	\$0	0.0	(\$698,757)	\$698,757	\$0	\$0	N/A	Row A

Table 1.2 Summary by Line Item FY 2026-27 and Ongoing									
Row	Line Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP Rate	Notes/Calculations
A	Medical Services Premiums	\$0	0.0	\$0	\$0	\$0	\$0	Blended	Table 2.2
W	Total Request	\$0.00	0.0	\$0.00	\$0.00	\$0.00	\$0.00	N/A	Row A

R-16 Medicaid Financing Reductions
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	Dissolve Old Cash Fund for GF Offset	\$0	\$0	(\$698,757)	\$698,757	\$0	\$0	N/A	One time only change in FY 2025-26
B	Incorporate Medicaid Buy-In Cash Fund into CHASE	\$0	\$0	\$0	\$0	\$0	\$0	N/A	\$0 net change but shift in cash fund source
C	Total Request	\$0	\$0	(\$698,757)	\$698,757	\$0	\$0	N/A	Sum of Rows A through B

Table 2.2 Summary by Initiative FY 2026-27 and Ongoing									
Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP Rate	Notes/Calculations
A	Dissolve Old Cash Fund for GF Offset	\$0	\$0	\$0	\$0	\$0	\$0	N/A	One time only change in FY 2025-26
B	Incorporate Medicaid Buy-In Cash Fund into CHASE	\$0	\$0	\$0	\$0	\$0	\$0	N/A	\$0 net change but shift in cash fund source
C	Total Request	\$0	\$0	\$0	\$0	\$0	\$0	N/A	Sum of Rows A through B