Department of Health Care Policy and Financing

Funding Request for the FY 2026-27 Budget Cycle

Request Title

R-13 DH Physician State Directed Payments

Dept. Approval By: _____ ____ **Supplemental FY 2025-26**

OSPB Approval By: _____ ____ **Budget Amendment FY 2026-27**

X **Change Request FY 2026-27**

Summary Information	Fund	FY 2025-26 Initial Appropriation	FY 2025-26 Supplemental Request	FY 2026-27 Base Request	FY 2026-27 Change Request	FY 2027-28 Continuation
Total of All Line Items Impacted by Change Request	**Total**	**$13,367,552,286**	**$0**	**$13,418,121,603**	**$11,331,455**	**$11,331,455**
	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$3,883,441,698	$0	$3,894,065,321	$0	$0
	CF	$1,481,967,035	$0	$1,484,271,680	$3,527,482	$3,527,482
	RF	$124,197,922	$0	$124,197,922	$0	$0
	FF	$7,877,945,631	$0	$7,915,586,680	$7,803,973	$7,803,973

Line Item Information	Fund	FY 2025-26 Initial Appropriation	FY 2025-26 Supplemental Request	FY 2026-27 Base Request	FY 2026-27 Change Request	FY 2027-28 Continuation
	Total	**$13,367,552,286**	**$0**	**$13,418,121,603**	**$11,331,455**	**$11,331,455**
02. Medical Services Premiums, (A) Medical Services Premiums, (1) Medical Services Premiums - Medical Services Premiums	FTE	0.0	0.0	0.0	0.0	0.0
	GF	$3,883,441,698	$0	$3,894,065,321	$0	$0
	CF	$1,481,967,035	$0	$1,484,271,680	$3,527,482	$3,527,482
	RF	$124,197,922	$0	$124,197,922	$0	$0
	FF	$7,877,945,631	$0	$7,915,586,680	$7,803,973	$7,803,973

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

Governor Jared Polis
FY 2026-27 Funding Request

Kim Bimestefer, Executive Director
Department of Health Care Policy and FInancing
November 3, 2025

Department Priority: R-13
Denver Health Physician State Directed Payments

Summary of Funding Change for FY 2026-27

Fund Type	FY 2026-27 Base Request	FY 2026-27 Incremental Request	FY 2027-28 Incremental Request
Total Funds	$13,418,121,603	$11,331,455	11,331,455
General Fund	$3,894,065,321	$0	$0
Cash Funds	$1,484,271,680	$3,527,482	$3,527,482
Reappropriated Funds	$124,197,922	$0	$0
Federal Funds	$7,915,586,680	$7,803,973	$7,803,973
FTE	0.0	0.0	0.0

Summary of Request

Problem or Opportunity
The Department lacks spending authority to make state directed payments (SDP) to Denver Health's Elevate Medicaid Choice Managed Care Organization (MCO) for physician services provided to Medicaid members enrolled in Elevate Medicaid Choice by physicians employed by Denver Health and Hospital Authority (Denver Health). Without this spending authority, available federal funds would not be accessed and an opportunity to financially support Denver Health would be missed.

Proposed Solution
By providing the Department with additional spending authority, and contingent on federal approval, an annual supplemental payment to Denver Health's Elevate Medicaid Choice can occur. Strengthening Denver Health would have a positive impact on equity, diversity, and inclusion since, as Colorado's largest safety net hospital, it serves marginalized and historically underserved communities.

Fiscal Impact of Solution
With the state share for this payment originating from Denver Health and an intergovernmental transfer, and the collection and distribution process occurring within the Colorado Healthcare Affordability & Sustainability Enterprise, there is no General Fund nor TABOR impact.

- In FY 2026-27 and ongoing, the Department requests $11,331,455 total funds including $3,527,482 cash funds and $7,803,973 federal funds
- This request requires statutory change in section 25.5-4-402.4.

Requires Legislation	Colorado for All Impacts	Revenue Impacts	Impacts Another Department?	Statutory Authority
Yes	Positive	No	No	25.5- 4-402.4, C.R.S.

Background and Opportunity

Denver Health, Colorado's largest safety net hospital, faces ongoing financial challenges due to high uncompensated care costs and a challenging operating environment. Despite Denver voters approving an increase in sales tax[1] to generate additional revenue, Denver Health continues to struggle with rising costs and the fiscal impact of serving a high proportion of Medicaid and uninsured patients. The voter-approved funding provides targeted support for Denver Health in five areas: emergency and trauma care, primary medical care, mental health care, pediatric care and recovery support services. The Department believes there is further opportunity for supporting Denver Health, specific to its physician services, via state directed payments.

State directed payments (SDPs) have emerged as an important mechanism to channel additional funding to health care providers who take care of Medicaid beneficiaries. Unlike traditional fee-for-service models, directed payments empower states to partner with managed care organizations (MCOs) and providers, aligning financial incentives with specific outcomes such as improved patient care, reduced disparities, and enhanced system efficiency.

SDPs are financial arrangements authorized by the Centers for Medicare & Medicaid Services (CMS) that allow state Medicaid programs to direct MCOs to make specific payments to providers under certain conditions or guidelines. These payments, first authorized through Medicaid Managed Care Final Rule of 2016 (42 C.F.R. § 438.6(c), are tied to quality improvement initiatives, access to care, or other state-defined priorities and enable states to align these provider incentives with the overarching health care goals of their Medicaid programs

Further, HB 25-1213, “Concerning Changes to the Medical Assistance Program,”[2] directs the Department to implement a state-directed payment program. This budget request supports the bill’s intent and furthers the State’s targeted financing efforts for Denver Health that includes recent one-time cash injections via HB 24-1401, “Appropriation to the Department of Health Care Policy and Financing for Denver Health” and SB 23-138, “Appropriation To Department of Health Care Policy And Financing for Denver Health”.

[1] https://www.denverhealth.org/news/2024/11/ballot-measure-2q-passes-to-bolster-funding-for-denver-health

[2] https://leg.colorado.gov/bills/hb25-1213

Proposed Solution and Anticipated Outcomes

The Department requests $11,331,455 total funds including $3,527,482 cash funds and $7,803,973 federal funds in FY 2026-27 and ongoing, to implement a SDP for physician services to Denver Health's Elevate Medicaid Choice MCO.

To facilitate an annual SDP to Denver Health for physician services, the Department is requesting additional spending authority. The spending authority would allow the Department to make a payment to Denver Health and then *direct* the use of those funds for supplemental payments to physicians and eligible practitioners who provide services to Medicaid members. This additional reimbursement would represent a rate increase up to the allowable average commercial rate (ACR) for these services.

As a condition of federal approval of the SDP, Denver Health, through its Medicaid managed care program, Elevate Medicaid Choice, would be required to meet certain conditions that advance the goals of the Department's quality strategy. Specifically, two Department goals would be advanced by the SDP: **expanding care access** and **improving member health**. Both goals are pillars of the Department's strategic plan and considered cornerstones for advancing areas prioritized by the PolisPrimavera Administration and stakeholders including members, care providers, elected officials and counties.

The Department expects the rate increase from the SDP to support an expansion in the number of Denver Health physicians and eligible practitioners, including resident physicians, throughout the Denver Health ecosystem, thereby advancing the goal of expanded access to affordable care for their patients. Denver Health's ecosystem, in addition to the hospital itself, includes its various clinics, the public health department, and partnerships with other healthcare providers, community organizations, and government agencies. Through these entities, the SDP would increase access to Denver Health's wide range of physician services including primary care, specialty care, urgent care, and emergency care and offer services for adults, children, and specialized populations.

Additional care access would be generated by the SDP through its support of Denver Health in its role as one of the primary teaching hospitals in the state. Denver Health is a teaching hospital affiliated with the University of Colorado School of Medicine and offers residency and fellowship training programs for resident physicians in family medicine and emergency medicine. These programs are designed to train future clinicians in providing high-quality, integrated care, particularly for vulnerable populations. Denver Health's resident physicians, as medical school graduates undergoing supervised, specialized training, also provide direct care to patients at the hospital or one of its clinics.

To advance the goal of improving member health, the Department is using three measures to quantify the improvement: **breast cancer screening**, **colorectal cancer screening** and **screening for depression/follow-up plan**. All three measures are identified as critical health areas by the National Committee for Quality Assurance (NCQA) in their State of Health Care

Quality Report.[3] As required by CMS, the Department is currently developing baseline statistics and performance targets for these measures.

An additional federal requirement directs the Department to create an evaluation plan to measure the degree to which the SDP advances these goals. The Department plans to develop and implement a multi-year evaluation approach to ensure successful attainment of the goals. This approach includes collaborating with Denver Health on effective care coordination and making any refinements deemed necessary to the program's success.

The processing of the SDP requires statutory changes. Specifically, Section 25.5-4-402.4, referred to as the Colorado Healthcare Affordability & Sustainability Enterprise (CHASE statute), should be updated to allow the Department to utilize an intra-governmental transfer (IGT) from Denver Health as the state share of the SDP. Secondly, language is needed that explicitly adds this SDP as another purpose of CHASE.

If the request is not approved, the Department would forgo an opportunity to provide significant financial support to Denver Health and miss out on a corresponding collaboration to advance improvements in care access and member health.

Supporting Evidence and Evidence Designation

This request supports member health improvements by establishing targeted benchmarks for three critical health care measures: breast cancer screenings, colorectal cancer screenings, and screenings for depression/follow-up plan. Ample evidence exists to support the importance of providing these services to patients.

Evidence Summary

Program Objective	By increasing rates and targeted health care benchmarks, improvements in care access and member health are realized
Outputs being measured	Care access, including shorter wait times for appointments, with physicians or mid-level practitioners
Outcomes being measured	Benchmarks for patients receiving breast cancer screenings, colorectal cancer screenings, and screenings for depression/follow-up plans
Evidence Designation with Brief Justification	Evidence-Informed

All three of the health care measures are part of the National Committee for Quality Assurance's Healthcare Effectiveness Data and Information Set (HEDIS) measures that promote early detection and improve outcomes for patients. The NCQA is a non-profit organization that

[3] https://www.ncqa.org/report-cards/health-plans/state-of-health-care-quality-report/

promotes evidence-based practices in healthcare by accrediting and recognizing organizations that demonstrate high-quality care.

Promoting Colorado for All

By approving this request, a clear positive impact on vulnerable and in-need populations would be realized in support of the Colorado-for-All policy. The additional financial support for Denver Health would advance its mission of providing our community with access to the highest quality and equitable health care regardless of their ability to pay.

Approval of the request also aligns with the Department commitment towards a "A Healthy Colorado For All" that includes operationalizing policies and programs that support health for all the people served by our programs, eliminating avoidable differences in health outcomes, and providing the care and support that our members need to thrive.

Assumptions and Calculations

The federal financial participation (FFP) of the SDP is assumed to be 68.87%. This figure is a calculated blended rate that considers the projected case mix of Denver Health's Medicaid clients between traditional Medicaid (50% FFP) and expansion Medicaid (90% FFP). The request also assumes that federal approval of the SPD would be granted in a timely manner. The Department has utilized available funding within an existing vendor contract to initiate much of the preliminary research, paperwork and calculations. The amounts in this request are estimates based on data from FY 2023-24 and the Department expects the final amounts will change when more recent data is collected.

There remains a possibility that a SDP could be approved earlier than expected and allow a payment to occur in FY 2025-26. Should that scenario develop the Department would submit a supplemental request in accordance with standard budgetary procedures.

Detailed tables, including fund splits, for the request can be found in the included appendix. Tables 1.1 through 1.4 provide a summary of the request by line item and Tables 2.1 through 2.4 provide a summary of the request by initiative.

Table 1.1
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	$11,331,455	0.0	$0	$3,527,482	$0	$7,803,973	68.87%	
B	**Total Request**	**$11,331,455**	**0.0**	**$0**	**$3,527,482**	**$0**	**$7,803,973**	**68.87%**	Sum of Row A

Table 1.2
Summary by Line Item
FY 2027-28

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	$11,331,455	0.0	$0	$3,527,482	$0	$7,803,973	68.87%	
B	**Total Request**	**$11,331,455**	**0.0**	**$0**	**$3,527,482**	**$0**	**$7,803,973**	**68.87%**	Sum of Row A

Table 1.3
Summary by Line Item
FY 2028-29 and Ongoing

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	$11,331,455	0.0	$0	$3,527,482	$0	$7,803,973	68.87%	
B	**Total Request**	**$11,331,455**	**0.0**	**$0**	**$3,527,482**	**$0**	**$7,803,973**	**68.87%**	Sum of Row A

Table 2.1
Summary by Initiative
FY 2026-27

Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP Rate	Notes/Calculations
A	Denver Health Physician State Directed Payments (SDP)	$11,331,455	0.0	$0	$3,527,482	$0	$7,803,973	68.87%	
B	**Total Request**	**$11,331,455**	**0.0**	**$0**	**$3,527,482**	**$0**	**$7,803,973**	**68.87%**	**Sum of Row A**

Table 2.2
Summary by Initiative
FY 2027-28

Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP Rate	Notes/Calculations
A	Denver Health Physician State Directed Payments (SDP)	$11,331,455	0.0	$0	$3,527,482	$0	$7,803,973	68.87%	
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Table 2.3
Summary by Initiative
FY 2028-29 and Ongoing

Row	Item	Total Funds	FTE	General Fund	Cash Funds	Reappropriated Funds	Federal Funds	FFP Rate	Notes/Calculations
A	Denver Health Physician State Directed Payments (SDP)	$11,331,455.00	0.0	$0.00	$3,527,482	$0.00	$7,803,973	68.87%	
B	**Total Request**	**$11,331,455**	**0.0**	**$0**	**$3,527,482**	**$0**	**$7,803,973**	**68.87%**	**Sum of Row A**