COLORADO
Department of Health Care Policy & Financing

303 E. 17th Ave. Suite 1100
Denver, CO 80203

HCPF Budget Reductions Fact Sheet FY 2025-26 & 2026-27 Projected Reductions

October 31, 2025

Given the acute budget crisis the state of Colorado faces, the Governor extended and amended Executive Order D25 014 on Oct. 31, 2025 as part of the budget release, making additional State Fiscal Year 2025-26 (FY2025-26) reductions, which include $13.5 million in new HCPF General Fund reductions ($41.7 million Total Fund reductions). All reductions included in the original version of the Executive Order, signed Aug. 28, 2025, remain in effect. HCPF is requesting all Executive Order reductions be extended into State Fiscal Year 2026-27 (FY2026-27) most of which are detailed in the FY2026-27 R-06 Budget Request with a FY2026-27 reduction of $196 million in General Fund ($530.1 million Total Fund). Two reduction items, which are designated as such below, are not included in R-06 but will be included in a January Budget Amendment.

We appreciate the collaborative partnership with stakeholders in leveraging the Medicaid Sustainability Framework to navigate this difficult fiscal chapter.

Budget reductions are organized by the date they were announced.

October 31, 2025 Amended Executive Order - New Reductions

FY2025-26: $500,000 in General Fund Reduction Senior Dental Grants FY2026-27: $2 million

- This program provides dental care for low-income seniors in Colorado who are 60 years of age or older, not eligible for Medicaid, and do not have private dental insurance.
- This reduction will reduce the annual amount of money allocated to each grantee, which will then determine the allocation per patient.

Implementation Date: October 31, 2025

FY 2025-26: $1.4 million in General Fund Reduction by Delaying Implementation of Community Health Workers FY 2026-27: $3.2 million

- This reduction represents a further delay in the implementation of this new benefit. It was originally scheduled to go live on Jul. 1, 2025, but was delayed until Jan. 1, 2026, and now will go live on Jan. 1, 2028.
- The go-live date of Jan. 1, 2028, assumes that the General Assembly will vote to restore funding for this program in the 2027 Legislative Session.
- There is no impact to current processes or service coverage.

Implementation Date: Immediate pause, expected implementation on Jan. 1, 2028

FY 2025-26: $41,000 in General Fund Reduction by Removing ACC Credentialing Component from FY 2025-26 R-6 Accountable Care Collaborative Phase III
FY 2026-27: $0 (this was only a one year cost)

- The ACC Centralized Credentialing component of last year's budget request was intended to reduce administrative burden on providers by creating a single, uniform provider credentialing system. However, with the implementation of ACC Phase III and the corresponding reduction in the number of Regional Accountable Entities from 7 to 4, the administrative burden has already been reduced.
- This reduction, as it has not yet been implemented, will not have a significant impact on the administration of the ACC, providers, or members

Implementation Date: Removal effective October 31, 2025

FY 2025-26: $3.5 million in General Fund Reduction by Reducing Certain Provider Rates to No More than 85% of Medicare Benchmark
FY 2026-27: $15 million

- HCPF proposes reducing provider rates with available Medicare comparator rates, excluding Primary Care and Evaluation & Management Services, to no more than 85% of the Medicare rate.
- These reductions will be applied to the service categories listed on Table 6.6 of the Appendix to HCPF's 2026-27 R-06 Budget Request.

Expected Implementation Date: April 1, 2026

FY 2025-26: $629,000 in General Fund Reduction by Reducing the Outpatient Drug Rate
FY 2026-27: $3.8 million

- To realize this reduction, the Maximum Allowable Cost (MAC) will be incorporated into the "lesser of" reimbursement calculation, which will now be the lesser of the Average Acquisition Cost (AAC), National Average Drug Acquisition Cost (NADAC), MAC, or Submitted Ingredient Cost (SIC). Previously, the MAC rate applied only when AAC or NADAC were unavailable.
- Including MAC in the "lesser of" methodology ensures more consistent and cost-effective reimbursement. The MAC is designed to function as a NADAC equivalency rate, where applicable.

Expected Implementation Date: Pending federal approval of a State Plan amendment, April 1, 2026.

FY 2025-26: $982,000 in General Fund Reduction by Shifting Utilization to Cost-Effective Biosimilars and Other Agents
FY 2026-27: $2.4 million

- HCPF will target increased utilization for more cost effective biosimilars and GLP-1 agents via updates to the preferred drug list and utilization management policy.
- Members will use lower cost biosimilars and GLP-1 agents before accessing more expensive therapeutic alternatives.

Expected Implementation Date: January 1, 2026

FY 2025-26: $1.2 million in General Fund Reduction by Addressing Third Party Liability Secondary Payer Cost Shift
FY 2026-27: $2.9 million

- HCPF is updating the Pharmacy Benefit Management System in order to ensure that pharmacies appropriately bill primary payors.
- Pharmacies will be allowed to submit only a limited number of codes to bypass primary payor requirements, such as for Medicare coverage exclusions. This will ensure that members utilize their primary insurance first, and that primary insurance pays appropriately before Medicaid is billed.

Expected Implementation Date: January 1, 2026

FY 2025-26: $32,000 in General Fund Reduction by Reducing the Specialty Drug Carveout Rate
FY 2026-27: $193,000

- HCPF is pursuing a new policy to reset the reimbursement available for outpatient hospital reimbursements for specialty drugs 92% of cost. The current reimbursement is either 97% of cost or 100% of cost depending on specialty drug and service location.

Expected Implementation Date: Pending federal approval of a State Plan amendment, April 1, 2026

FY 2025-26: $85,000 in General Fund Reduction by Reducing the Dispensing Fee Rate
FY 2026-27: $506,000

- HCPF is pursuing a new policy to reduce dispensing fee amounts for the highest volume pharmacy tiers.
- Based on data from the Department's most recent cost of dispensing survey, the reimbursement rate for the lowest two dispensing fee tiers (pharmacies with the highest annual prescription volume) will be adjusted from $10.25 to $9.93 and $9.31 to $8.72.

Expected Implementation Date: Pending federal approval of a State Plan amendment, April 1, 2026

FY 2025-26: Reductions Related to Long Term Services and Supports

Additional information can be found at HCPF's Medicaid Sustainability and Colorado's LTSS System webpage.

FY 2025-26: $690,000 in General Fund Reduction by Delaying Long-Term Services and Supports Presumptive Eligibility
FY 2026-27:$1.47 million

- HCPF will delay the implementation of the LTSS Presumptive Eligibility program, which would have allowed individuals who appear eligible for LTSS to begin receiving a limited number of community-based services while their full Medicaid eligibility determination is pending. Our federal partners have signaled that they will need an additional year to review our proposal; therefore, the Department is leveraging the delay to revert savings.

- This action temporarily postpones program startup and associated expenditures. Given that it has not yet been implemented, there will be no service impacts to members.

Implementation Date: Delay begins October 31, 2025; anticipate final implementation of the program in Summer 2027

FY 2025-26: $1.2 million in General Fund Reduction from Implementing a Soft Cap on Certain HCBS Services
FY 2026-27: $6.9 million

- HCPF will implement a cap on Personal Care, Homemaker, and Health Maintenance Activities (HMA) that will cap annual utilization at approximately 19,000 units for HMA (about 13 hours per day), 10,000 units for Personal Care (about 6.8 hours per day), and 4,500 units for Homemakers (about 3 hours per day).
- There will be an exceptions process for individuals who have a demonstrated need for services above the cap.

Expected Implementation Date: Pending federal approval; Spring 2026

FY 2025-26: $168,000 in General Fund Reduction from Implementing a Cap on Weekly Caregiving Hours
FY 2026-27:$1.1 million

- This reduction will limit paid caregiving services for a member to a maximum of 56 hours per week (8 hours per day) for a single caregiver. The current 16-hour-per-day cap per caregiver will remain in place.
- This limit will impact Home Health Aide, Personal Care, Homemaker, HMA, and Nursing services.

Expected Implementation Date: Pending federal approval; Spring 2026

FY 2025-26: $37,000 in General Fund Reduction from Implementing a Cap on Weekly Homemaker Hours for Legally Responsible Persons
FY 2026-27:$223,000

- This will reduce the homemaker service cap for legally responsible persons from 10 to 5 hours per week.
- Reducing the cap on this service will better align the hours of allowable services with what would be considered outside the typical responsibility of a legally responsible person, better ensuring long-term availability of the option.

Expected Implementation Date: Pending federal approval; Spring 2026

FY 2025-26: $1.5 million in General Fund Reduction from Aligning Community Connector Rate with Supported Community Connections
FY 2026-27: $9.2 million

- This action will reduce Community Connector's reimbursement to align with the Tier 3 Supported Community Connections rate—approximately $7.71 per 15-minute unit.
- HCPF views the rate cut as necessary for Medicaid cost control, sustainability of the benefit, and more equitable alignment with comparable direct care services.

Expected Implementation Date: Pending federal approval; Spring 2026

FY 2025-26: $1.2 million in General Fund Reduction from Implementing New Service Unit Limit for Community Connector
FY 2026-27: $7.5 million

- HCPF will reduce the annual cap on Community Connector services by 50%, lowering the maximum allowable units from 2,080 to 1,040 per support plan year under the Children's Extensive Support (CES) and Children's Habilitation Residential Program (CHRP).
- This change will reduce Medicaid expenditures associated with excessive utilization while maintaining member access to the service.

Expected Implementation Date: Pending federal approval; Spring 2026

FY 2025-26: $60,000 in General Fund Reduction from Reducing Movement Therapy Services to Align with the Standard Rate-Setting Methodology
FY 2026-27: $358,000

- This reduction will align Movement Therapy rates with the Department's standardized rate-setting methodology.
- These rate adjustments will ensure consistency with statewide rate review methodologies.

Expected Implementation Date: Pending federal approval; Spring 2026

October 31, 2025, New Reductions not included in R-06

FY 2025-26: $250,000 in General Fund Reduction from Capping Adult Dental Benefit
FY 2026-27: $1.6 million

- This reduction will cap adult dental services for Medicaid members to $3,000 per year.

Implementation Date: Spring 2026

FY 2025-26: $75,000 in General Fund Reduction from Changing Cover All Coloradans to Fee-for-Service and other Cover All Coloradans changes
FY 2026-27: $900,000

- This reduction will remove Cover all Coloradans members from the Accountable Care Collaborative. It will also change the behavioral health reimbursement from capitation to fee-for-service to reflect actual utilization, preserving access to behavioral health services.
- A cap of $750 per year will also be applied to dental services for members served through Cover all Coloradans. Savings from this change will be realized in future fiscal years.

Implementation Date: Spring 2026

August 28, 2025, Original and Extended Executive Order Reductions

FY 2025-26: $5.6 million in General Fund reduction for halting implementation of continuous coverage for children ages 0-3
FY 2026-27: $11.2 million

- The Centers for Medicare and Medicaid Services (CMS) has indicated it will not provide federal match funding for this coverage expansion policy and will not approve or renew 1115 waiver provisions that include continuous coverage for Medicaid members.
- Given this guidance, Colorado ceased implementation and reverted the general fund appropriation intended for continuous coverage.

Implementation Date: August 28, 2025

FY 2025-26: $4.4 million General Fund reduction by eliminating the nursing facility minimum wage supplemental payment
FY 2026-27: $4.4 million

- Set in statute to sunset next year, this payment was in place to supplement wages prior to the minimum wage in nursing facilities rising above $15.00/hour.
- With this change, the Department ended the distribution of the funds one year early.
- Nursing Facility rates were not impacted by the 1.6% across-the-board (ATB) reduction.

Implementation Date: August 28, 2025 - payments will not go out in Spring 2026.

FY 2025-26: $500,000 General Fund reduction to Immigrant Family Planning Services from SB 21-009 Reproductive Health Care Program
FY 2026-27: $500,000

- This program provides family planning and family planning-related services to individuals who would qualify for Medicaid, except for their citizenship status.
- This program has historically underspent its budget, which is currently $2.6 million of state-only funds; therefore, this reduction is absorbable and will not reduce access to these important services.

Implementation Date: August 28, 2025

FY 2025-26: $131,000 General Fund reduction to eliminate Cover All Coloradans Outreach
FY 2026-27: $263,000

- This reduction does not change eligibility for Cover All Coloradans.
- Funding was included in the implementing legislation, HB22-1289, for a grant program to fund education and outreach to support the initial launch of Cover All Coloradans.

Implementation Date: August 28, 2025

FY 2025-26: $38.3 million General Fund reduction by rolling back the 1.6% provider rate increase passed for FY 2025-26
FY 2026-27: $57 million

- HCPF posted the updated rate tables here.

- The historic average Across the Board (ATB) increase in provider reimbursements before COVID, and the related introduction of federal stimulus dollars, averaged 0.62% annually. The ATB provider rate increases from FY 2021-22 to FY 2024-25 ranged from 2-3%, or about 3 times to 5 times higher than typical, historic annual ATB rate increases. The 1.6% ATB increase was 2.5 times higher than historic averages.
- Eliminating the 1.6% ATB increase after 3 months (effective October 1) approximates a 0.4% ATB annual increase, which is more in line with the historic 0.62%.

Implementation Date: October 1, 2025

FY 2025-26: $500,000 General Fund reduction by eliminating grants to train providers for a well-established screening tool and interventions related to substance use, and repurposing the Marijuana Cash Tax Fund to offset the General Fund
FY 2026-27: $0 (the grant program ends after this FY25-26)

- Screening, Brief Intervention, and Referral to Treatment (SBIRT) is a well-established screening tool, used to assess the need for alcohol or drug abuse treatment.
- The funds that will be reduced go to a vendor that provides training to providers.
- SBIRT screening is still a covered Medicaid benefit.

Implementation Date: October 1, 2025

FY 2025-26: $2.5 million General Fund reduction by reducing FY 2024-25 Dental Provider Rates
FY 2026-27: $3.8 million

- This reduction relates to a group of codes that received increases effective July 1, 2024 to align HCPF's Medicaid fee-schedule with commercial rates. Some codes were adjusted to match 100% of the commercial benchmark; others were adjusted to match 70% of the commercial benchmark.
- This adjustment reduces those rates which received targeted increases, but was be applied equitably so that rates which had a significant disparity with commercial rates are not disproportionately affected.
- The final rate for each of the effective codes reduces the rate increase implemented July 1, 2024 by 15.5%.
- This reduction preserves the intent of the original rate action to correct significant rate disparities while still achieving the required savings.

Implementation Date: October 1, 2025.

FY 2025-26: $2.7 million General Fund reduction by resetting the pediatric behavioral therapy rates to 95% of the new benchmark
FY 2026-27: $6.5 million

- This benchmark includes updated rates for all comparator states, including Nebraska.
- These rates were not subject to the 1.6% ATB provider rate reduction.

Implementation Date: October 1, 2025

FY 2025-26: $7 million General Fund reduction by implementing pre- and post- claim review of all pediatric autism behavioral therapy codes due to expected audit findings
FY 2026-27: $10 million

- The Office of Inspector General (OIG) preliminary exit meeting for Audit A-09-24-02004 occurred on July 22, 2025. OIG provided an audit summary that highlighted methodologies used and initial findings that included a number of billing discrepancies and errors. The final audit findings should be released this fall.
- HCPF received funding for FY 2025-26 to contract with a vendor to conduct prepayment claim reviews of high risk providers. Providers of pediatric autism behavioral therapies will be reviewed for inclusion in the prepayment work. Additionally, HCPF will utilize a vendor to determine applicable post-payment reviews of providers and claims for autism services to ensure the providers are credentialed and licensed, and the services are necessary and appropriate.

Expected Implementation Date: Auditing efforts to begin October 1, 2025, and be ongoing throughout the year.

FY 2025-26: $1.7 million General Fund reduction for inpatient and outpatient drug testing
FY 2026-27: $1.9 million

- Previously, there were no limits on the number of drug tests per member.
- HCPF brought an emergency rule to the Medical Services Board on October 10 that will placed a limit of 16 tests per year per individual before a prior authorization is needed to authorize additional testing.

Implementation Date: October 10, 2025

FY 2025-26: $6.1 million General Fund reduction to reinstate Medicaid prior authorization of outpatient psychotherapy for services that exceed clinical standard best practices
FY 2026-27: $12.2 million

- Per SB 22-156, Medicaid removed Prior Authorization Requests (PARs) for outpatient psychotherapy.
- Since implementing the legislation, HCPF saw a 17% increase in aggregate utilization, with the most significant increase in utilization of more than one session a week for 6-12 months, reflective of a marked change in provider behavior.
- This change will maintain access to outpatient psychotherapy services for Medicaid members and ensure that members are receiving the appropriate levels of care.
- PARs will not be in place for initial visits, just for providers claiming more than 20-24 sessions per patient in a calendar year.

Expected Implementation Date: HCPF will adjust the RAE contracts to reflect this change effective January 1, 2026.

FY 2025-26: $3.0 million General Fund reduction by adjusting the Community Connector rate to better align with similar benefits and services
FY 2026-27: $6.0 million

- HCPF is aligning rates based on service scope, training requirements, and comparability to similar services to ensure the sustainability of Colorado's Medicaid program. (Community Connector has different training requirements than certain licensed services; the rate is being aligned accordingly.)
- Further details are available in a memo released about this rate cut.

Expected Implementation Date: January 1, 2026

FY 2025-26: $1.5 million General Fund reduction to the Access Stabilization Payments to rural, small, and pediatric providers by implementing these payments effective January 2026, assuming CMS approval, versus retrospectively to July 2025.
FY 2026-27: $0

- Providers have not received any of these payments yet. This reduction delays implementation of the payment to glean savings for FY 2025-26.
- Providers can still expect these payments beginning in January 2026, assuming HCPF receives federal approval.

Expected Implementation Date: The payment start date is delayed from July 2025 to January 2026.

FY 2025-26: $1.5 million General Fund reduction to align the Individual Residential Services and Supports rates for host home and family caregiver homes
FY 2026-27: $2.3 million

- Individual Residential Services and Supports (IRSS) is a service available exclusively in the Developmental Disabilities (DD) waiver, offering access to 24/7 residential services.
- IRSS may be provided by rotating shift staff at a higher rate to account for the higher cost of service provision, or by a primary caregiver residing with the member at a lower rate to account for the lower cost of service provision.
- Currently, some providers, due to conflicting Department guidance, are billing the higher rate when the primary caregiver residing with the member is family, even though the cost to provide the service is lower and therefore should be billed at the lower rate.
- The Department intends to change rules to clarify that IRSS provided by a family member who is the primary provider and resides with the member must be billed at the lower rate.
- This change will ensure consistency and equity in the reimbursement of this service.

Expected Implementation Date: After the rules are passed, expected in March 2026.

FY 2025-26: $750,000 General Fund reduction to Incentive Payments in the Accountable Care Collaborative (ACC Quality Program)
FY 2026-27: $750,000

- These payments are used to incentivize Regional Accountable Entities (RAEs) and Primary Care Medical Providers (PCMPs) to reach health and performance outcomes.
- This is about a 25% reduction to the total amount that can be earned by PCMPs and the RAEs for the first payment for the primary care quality improvement projects. There are two additional payments in FY 2026-27 for which the appropriation is not impacted.

Expected Implementation Date: The impacted payments are expected to go out in March 2026

FY 2025-26: $3 million General Fund reduction for Behavioral Health Incentive Program (BHIP) payments
FY 2026-27: $3.0 million

- These payments are distributed annually to the RAEs for achievement of certain behavioral health outcomes and performance metrics within their regions, with 66%-90% of awarded incentive funds passed through to behavioral health providers.
- This represents about a 31% reduction in the incentive payments for last year's performance period.

Expected Implementation Date: Payments for performance in FY 2024-25 will be reduced in spring 2026.

For More Information Contact:
Jo Donlin, Legislative Liaison
Isabel Hinshaw, Legislative Analyst