



# Fact Sheet: HCPF BA-07 Additional Budget Reductions FY 2026-27

Revised Jan. 13, 2026

On October 31, 2025, HCPF submitted the FY 2026-27 [R-06 Executive Order and Other Spending Reductions](#) request to obtain ongoing authority for the reductions outlined in [executive order D25 022](#), alongside additional reduction proposals. As a part of the R-06 request, HCPF communicated it would submit an additional budget reduction package with additional General fund savings in FY 2026-27 in order to achieve the state's budget balancing targets.

As the state continues to grapple with Medicaid's significant budget pressures, HCPF is committed to following the [Medicaid Sustainability Framework](#) to make specific, targeted reductions to address cost drivers while protecting coverage for as many Coloradans as possible. However, in order to achieve the state's budget balancing targets, additional reductions to provider reimbursement are necessary to achieve a balanced budget.

With the submission of HCPF's [FY 2026-27 Budget Amendment 07](#), HCPF proposes several reductions for an additional \$118 million General fund savings in FY 2026-27 (\$294 million total fund) to achieve the state's budget balancing targets.

The proposed reductions Address Drivers of Trend, Maximize Federal Funding, Make Reasonable Cuts or Adjustments, Reassess New Policy, and propose Additional Adjustments to Achieve Budget Balancing Target.

## Address Drivers of Trend

### \$14.6 million General Fund Reduction (\$29.2 million total fund): Pre-payments Claims Processing Cost Savings Implementation

- HCPF proposes expanding vendor-led prepayment review services to all high risk provider types and services, with a primary focus on efforts surrounding pediatric behavioral therapy (PBT), home and community based services (HCBS), and durable medical equipment (DME).
- These services involve complex billing requirements, rapidly growing utilization, and a demonstrated vulnerability to improper payments, making them well suited for a preventive, data-driven review approach.



## \$3.8 million General Fund Reduction (\$12.3 million total fund): Ongoing Review and Implementation of ClaimsXTEN

- In alignment with Senate Bill 18-266, which directed HCPF to enhance program integrity through automated clinical and coding validation tools, HCPF implemented the ClaimsXten platform in 2020 to support real-time claims editing using nationally recognized coding standards.
- HCPF proposes to expand the use of ClaimsXten by implementing a new set of high-value rules identified in the annual optimization study. These rules are designed to improve payment accuracy by identifying improper billing patterns and preventing inappropriate claim payments. HCPF will prioritize rule sets with the highest projected return on investment and strong alignment with Medicaid policy, federal requirements, and state legislation.

## \$6.6 million General Fund Reduction (\$14.2 million total fund): Expanding Recovery Audit Contracts (RAC)

- HCPF proposes expanding its Medicaid RAC program to include targeted reviews of non-emergent medical transportation (NEMT), PBT, and emergency medical transportation (EMT) claims.
- The RAC would apply focused audit methodologies tailored to each program's risk areas—such as improper billing patterns, services without required medical documentation, unqualified or incorrect provider types, disallowed service settings, and duplicate claims—to identify overpayments and strengthen systemic controls.

## \$6.3 million General Fund Reduction (\$20.8 million total fund): Completing MedRide Settlement and Corrective Action Plans for NEMT services

- To preserve service continuity while enforcing stronger compliance safeguards, HCPF entered into a settlement agreement effective June 10, 2025 with the state's largest NEMT provider, MedRide, following findings of noncompliance with credentialing, documentation, and claim integrity requirements.
- Under the settlement, MedRide is required to strengthen credentialing, implement formalized training and quality assurance processes, employ dedicated compliance staff, and submit claims through a third-party auditor. These measures are expected to improve documentation accuracy, reduce billing errors, and ensure that only eligible, properly supported NEMT trips are reimbursed.
- By applying these operational and rate adjustments to MedRide's proportional share of NEMT spending, HCPF anticipates measurable and sustained reductions in expenditures while preserving member access to reliable transportation services.

## \$18.2 million General Fund Reduction (\$60.5 million total fund): NEMT Reform Bariatric XL Wheelchair Rate Adjustment

- One component of the NEMT program is wheelchair van transportation, which serves members who require vehicles equipped with lifts or ramps to accommodate manual or power wheelchairs. These trips often require one or two attendants to safely load

and unload the member. For members who use bariatric or oversized wheelchairs, commonly referred to as XL Wheelchair transports, additional staffing and equipment are sometimes needed to ensure safety and accessibility.

- Under the previous reimbursement structure, there was confusion over the correct procedure code to use for reimbursement. To resolve this issue, HCPF will realign rates and codes for reimbursement with the appropriate level of service.
  - A0130 for non-emergency wheelchair van transport with one attendant; and
  - A0130 + U1 modifier for XL (Bariatric) wheelchair van transport requiring two attendants.
- This reform establishes a \$65 per-unit rate for XL wheelchair transports, consistent with standard wheelchair transport rates and proportional to the actual costs of service delivery. This alignment will ensure appropriate coding, accurate reimbursement, and compliance with federal and state Medicaid transportation standards.

### **\$3.1 million General Fund Reduction (\$10.3 million total fund): NEMT Mobility Van Rate Adjustment**

- HCPF's existing NEMT reimbursement structure results in significant cost disparities when compared to neighboring states.
- HCPF reimburses ambulatory vehicle mileage much higher than some surrounding states, creating higher-than-necessary costs. At the same time, ambulatory vehicles and wheelchair vans currently receive the same mileage reimbursement rates, despite substantial differences in accessibility requirements, vehicle configuration, and operational complexity.
- HCPF proposes to update NEMT reimbursement rates to ensure consistency with the service level and align the rate more closely with regional benchmarks while preserving member access and ensuring the rate structure accurately reflects the differing operational requirements of mobility and wheelchair transportation.

### **Maximize Federal Funding**

#### **\$8.5 million General Fund Reduction (\$0 total fund): Enhanced Match on Supplemental Payments**

- HCPF provides annual funding to Pediatric Specialty Hospital and Commission on Family Medicine Residency Training Programs, each of which has a dedicated line item in the Long Bill and currently receives a 50% federal match on their General Fund appropriation. These are supplemental payments made under the hospital upper payment limit funding.
- Based on federal approval of the claiming methodology for other hospital supplemental payments, both programs are eligible for the federal match rates HCPF receives for hospital services including a higher match for care provided to Affordable Care Act (ACA) expansion Medicaid members.

- This proposal will reduce General Fund with no decrease in total funding for providers.

## **\$6.6 million General Fund Reduction (\$0 total fund): School Health Services (SHS) Federal Withhold**

- The non-federal share of the SHS program is derived from certification of public expenditures (CPE). The CPE financing method allows participating school districts to certify their expenditure of state or local funds for the full cost of providing Medicaid services to Medicaid eligible students, and then claim a federal reimbursement.
- Currently, 2.5% is withheld from the federal funds and used for HCPF's administrative costs. HCPF proposes increasing the withhold percentage to the maximum allowable 10% under state law, with the additional 7.5% for use as a General Fund offset for Medicaid expenditures.
- This request requires legislation to change language in §25.5-5-318(8)(b), C.R.S. to allow for discretionary uses of the withhold.

## **Make Reasonable Medicaid Cuts or Adjustments**

### **\$14.6 million General Fund Reduction (\$50.6 million total fund): Hospital Indirect Medical Education Costs Rate Adjustment**

- Federal law provides that prospective payment hospitals that teach residents in an approved graduate medical education (GME) program receive an additional payment for a Medicare discharge to reflect the higher patient care costs of teaching hospitals relative to non-teaching hospitals. The additional payment is known as the Indirect Medical Education (IME) adjustment. HCPF's Medicaid Inpatient Base Rates uses the Medicare Federal Base Rate and some add-ons from Medicare, including IME/GME.
- HCPF proposes reducing the IME rate add-on by 80% for system hospitals.
- NOTE: this item has been revised following HCPF's correction of the IME reduction after the publication of S-07/BA-07

### **\$4.8 million General Fund Reduction (\$17.1 million total fund): Adjustments to 85% of Medicare Benchmark**

- As a part of the FY 2026-27 R-06 "Executive Order and Other Spending Reductions" budget request, HCPF requested adjustments to certain rates that were above the Medicare Benchmark down to 85% of Medicare's Benchmark.
- Upon additional analysis HCPF found some services receiving this rate adjustment were excluded from the analysis: Family Planning, Lab & Pathology, and Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS). HCPF proposes including these services in the rate reduction. In addition, HCPF proposes to exclude 14 codes from the reduction that are Primary Care Evaluation and Management Codes and should have been excluded from the rate reduction.

## \$128,000 General Fund Increase (\$0 total fund): Adjustments to Cover All Coloradans (CAC)

- HCPF proposes modifications to the CAC benefits program. This benefit was created through House Bill 22-1289 and provides full health insurance coverage for Colorado children, pregnant, and postpartum adults who would be eligible for Medicaid and CHP+ if not for their immigration status. This program has seen nearly three times higher enrollment in both the children and the adult populations than projected.
- HCPF proposes:
  - Freezing long term services and support (LTSS) services for CAC members that have not yet received LTSS services. Members who have already received LTSS services will remain able to receive services.
  - Removing all CAC members from the Statewide Capitated Behavioral Health program and instead cover their behavioral health services through the existing fee-for-Service behavioral health benefit.
  - Placing a cap on per person reimbursement for dental services of \$750 per fiscal year for CAC members.
  - Removing CAC members from the ACC program.
- Because of necessary system costs, this proposal increases General Fund expenditures in FY 2026-27 by \$86,000 but will realize savings in FY 2027-28 and beyond.
- This request requires legislation to change the benefits CAC members receive under §25.5-2-104 and 105, C.R.S.

## \$42,000 General Fund Reduction (\$6.5 million total fund): Capping Adult Dental Services

- HCPF proposes a \$3,000 annual cap on adult dental expenditures to reduce expenditures.
- Prior to FY 2023-24, Health First Colorado had a \$1,500 cap on adult dental expenditures for all members, excluding expenditures related to dentures and emergency services. This cap was removed on July 1, 2023, causing an increase in adult dental expenditures.
- This request requires legislation to limit adult dental benefits under §25.5-5-207, C.R.S.

## \$71,000 General Fund Reduction (\$238,000 total fund): Reduce Rates for Sleep Studies

- HCPF proposes decreasing rates for sleep studies that were identified through the rate review process to be out of alignment with specific Medicare benchmarks for a net decrease in expenditure for sleep studies.
- Services below 80% of their respective Medicare benchmarks would be rebalanced and raised to 80% of that benchmark, while services higher than 100% of Medicare benchmarks would be rebalanced and brought down to 100% of that benchmark.

## \$0.1 million General Fund Reduction (\$0.5 million total fund): Ambulatory Surgical Centers Benefit Determination

- Ambulatory Surgical Centers (ASC) are distinct entities that provide a surgical setting for members who require surgeries that do not require hospitalization. Covered services are those surgical and other medical procedures that are commonly performed on an inpatient basis in hospitals but may be safely performed in an ASC.
- HCPF requests adding spinal surgeries and urology procedures to an ASC grouper. These codes are already covered by HCPF and meet the qualifications for ASC services. This would allow more options for members to receive these services and would reduce costs by moving some utilization to an ASC instead of an outpatient hospital.

## \$0.4 million General Fund Reduction (\$0.7 million total fund): Converting Contractors to Staff for Quality Requirements

- The National Core Indicators (NCI) is a nationally standardized set of surveys to understand member experience in Home and Community Based Services (HCBS) and improve service quality. The standardization of the surveys allows HCPF to compare results with other states, track performance over time, and establish benchmarks.
- Converting some of the current contractor resources to FTE would develop long-term internal expertise in quality measurement, more consistent methodological oversight, and more sustainable data infrastructure.
- HCPF requests to convert part of the appropriated contractor funding for NCI survey work to FTE and to right-size the budget for NCI survey work to realize savings, and manage NCI survey and data functions more efficiently and with higher quality.

## Reassess New Policies

### \$0.4 million General Fund Increase (\$0.7 million total fund): Retract Movement Therapy Rate Adjustment

- As a part of the FY 2026-27 R-6 “Executive Order and Other Spending Reductions” budget request, HCPF requested rate reductions for Movement Therapy, including Music Therapy.
- HCPF has carefully reconsidered its initial proposal to reduce reimbursement rates for Movement Therapy services, including Music Therapy, following the receipt of additional information from stakeholders and professional organizations.
- HCPF recognizes that the methodology originally used to support a potential rate reduction does not adequately reflect the level of professional preparation or the clinical value inherent in Movement Therapy services. Therefore, HCPF requests to withdraw the request to reduce Movement Therapy, including Music Therapy.

### \$0.3 million General Fund Reduction (\$0.5 million total fund): Remove Equine Therapy Services

- HCPF proposes eliminating equine therapy from HCBS waivers and hippotherapy from the Medicaid State Plan. This will reduce administrative complexity, ending Medicaid coverage for services delivered via horse. The service has seen low utilization due to reimbursement limitations and overlapping coverage with other therapy types.
- This proposal requires legislation to remove hippotherapy as a State Plan benefit under §25.5-5-332, C.R.S.

## Additional Adjustments to Achieve Budget Balancing Target

### \$0.4 million General Fund Reduction (\$0.6 million total fund): Reductions to CIVHC

- The Colorado All-Payer Claims Database (APCD) is a comprehensive repository of Colorado health care claims used by researchers, government agencies, the public, and others to improve health care quality, value, and public health outcomes for Colorado residents.
- A new data management system for the APCD is currently under development to modernize the APCD's digital infrastructure and improve its performance and security.
- With development of the new system underway and detailed requirements now defined, HCPF and CIVHC have a more precise cost estimate. HCPF anticipates that the ongoing maintenance and operations of the new system will be significantly less than the amount approved under HCPF's FY 2025-26 S-14, BA-14 request and therefore proposes a reduction in funding.

### \$26.5 million General Fund Reduction (\$72.9 million total fund): Across the Board Rate Adjustment

- The State is facing a shortage of General Fund revenue as a result of continued increases in Medicaid Spending alongside the effects of Federal Legislation including HR 1. Through HCPF's FY 2026-27 R-6 Executive Order Spending Reductions and other components of the FY 2026-27 S-7, BA-7 Additional Reductions Package, HCPF has proposed specific, targeted reductions to address cost drivers while protecting coverage for as many Coloradans as possible. In order to achieve the State's budget balancing targets, however, an across-the-board (ATB) reduction to provider reimbursement is necessary to achieve a balanced budget.
- HCPF requests a reduction to implement an ATB provider rate decrease of 0.75% for all eligible fee for service in order to achieve the State's Balanced Budget Requirements.

**For more information, contact:**

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