

FY 2025-26 Budget Agenda

Final Summary

June 9, 2025

Below is a summary of the Colorado General Assembly’s final actions on the Colorado Department of Health Care Policy & Financing’s (HCPF) discretionary budget requests submitted to the Colorado General Assembly for consideration as part of the Governor’s Fiscal Year (FY) 2025-26 budget, which runs from July 1, 2025 - June 30, 2026. It also includes additional Joint Budget Committee final actions to reduce Medicaid and the Children’s Health Program Plus (ChP+) impacts on the General Fund.

This year, HCPF’s budget requests focused on increasing support for county administration to improve efficiencies and customer service, ensuring Colorado supports an equitable system resulting in high-quality, coordinated Medicaid services, complying with federal requirements, and preserving member benefits and access to care in a time of limited spending growth. Despite the state’s \$1 billion budget deficit, HCPF avoided large budget cuts to current benefits or coverage levels.

HCPF’s final approved annual budget for FY 2025-26 is \$18.2 billion in total funds, including \$5.5 billion General Fund, and will provide coverage for an average of 1.4 million Coloradans who are members of Health First Colorado (Colorado’s Medicaid Program) and the Child Health Plan Plus (CHP+). In comparison, the HCPF budget *request* for FY 2025-26 included \$17.4 billion in total funds, including \$5.4 billion General Fund.

Additional detail is available [on our website](#). The budget became final after the Colorado General Assembly passed the “Long Bill” and the Governor signed it into law on April 28, 2025. The new state fiscal year begins on July 1, 2025.

Budget Requests

R-1 through R-5 Budget Forecast for Enrollment/Utilization Trends

Requests R-1 through R-5 proposed changes to both the FY2024-25 and FY2025-26 based on a forecast of caseload and expenditures. These are not “discretionary” requests because they represent what HCPF expects to pay unless there is a change in current law or policy.

Final Action and Budget Impact: All of the HCPF Budget Forecast Requests passed in

the Long Bill and are listed below:

- R-1 Medical Services Premiums - \$799.2 million Total Funds; \$217.5 million General Fund
- R-1b Health Benefits for Children Lacking Access Due to Immigration Status - \$13.8 million Total Funds; \$13.8 million General Fund
- R-2 Behavioral Health - \$195.4 million Total Funds; \$35.6 million General Fund
- R-3 Children's Health Plan Plus (CHP+) - \$31.7 million Total Funds; \$9.0 million General Fund
- R-4 Medicare Modernization Act - \$30.4 million Total Funds; \$30.4 million General Fund
- R-5 Office of Community Living - \$57.1 million Total Funds; \$29.3 million General Fund

R-06 Accountable Care Collaborative: Phase III

The Accountable Care Collaborative (ACC) is Colorado's Medicaid care delivery system responsible for the administration of behavioral health benefits and the cost-effective coordination of Medicaid services. The ACC leverages the best features of Accountable Care Organizations (ACOs) and capitated managed care to support members in navigating a complex health system, while providing financial, care coordination, and other support to providers. ACC Phase III contracts will go into effect on July 1, 2025. Phase III, which has been the subject of extensive stakeholder engagement over the last two years, is designed to increase accountability and transparency, enhance care and case management, support providers and leverage advances in technologies.

HCPF requested to increase the administrative per-member-per-month (PMPM) payment to Regional Accountable Entities (RAEs), implement member incentive programs, centralize the credentialing process, increase survey sampling, expand the western slope Managed Care Organization (MCO), repurpose previously appropriated funding to improve support for rural, small, and pediatric providers, and provide access to the Office of Community Living (OCL) Care and Case Management (CCM) system for RAEs.

Final Action: All components of the ACC Phase III budget request passed except the request to increase the sampling for the Consumer Assessment of Healthcare Providers and Systems (CAHPS) Survey.

Final FY 2025-2026 Budget Impact: Reduction of \$1.3 million total funds, including a reduction of \$0.7 million General Fund.

R-07 County Administration and CBMS Enhancements

HCPF, in collaboration with the Colorado Department of Human Services (CDHS) and the county departments of human and social services, identified several key areas in which

additional support, policy documentation, and collaboration, along with increased Colorado Benefits Management System (CBMS) pool hour capacity, enhancements and automation, can improve overall access to and delivery of public and medical assistance programs at the state and local levels. This will lead to a more positive experience for both county staff and Colorado residents.

HCPF requested funding to address several recommendations resulting from the [SB 22-235](#) County Administration of Public Assistance Programs study, which will help both HCPF and CDHS improve access to and delivery of public and medical assistance programs, including improved access, timeliness, administrative efficiency, and cost effectiveness. HCPF also requested funding for additional pool hours for quarterly CBMS builds, along with funding for other CBMS improvements, automation, and innovation initiatives. Lastly, HCPF requested ongoing funding to continue its county escalations resolution unit, so that members can continue to receive their care in a timely manner by working with dedicated staff that handle grievances and escalations.

Final Action: All four components of the request passed, but three received a reduced amount rather than HCPF's original funding target.

Final FY 2025-26 Budget Impact: \$33.1 million total funds, including \$3.4 million General Fund and 4.5 FTE.

- County Administration - \$21.0 million Total Funds, \$2.6 million General Fund
- CBMS - \$10.1 million Total Funds, \$0.5 million General Fund
- SB22-235 Implementation - \$1.3 million Total Funds, \$0.1 million General Fund
- County Escalations Unit - \$0.7 million Total Funds, \$0.2 million General Fund

R-08 Colorado Medicaid Enterprise System Administration

The Centers for Medicare & Medicaid Services (CMS) published a final rule requiring states to use a modular procurement strategy when reprocurring Medicaid IT system contracts. While HCPF is currently in the process of transitioning from three vendors to upwards of nine, and from three modules to 16, the current staffing levels to support these new modules are not adequate to maintain system functionality. Additional testers, contract managers, project managers, and administrative support are needed to support the Colorado Medicaid Enterprise System (CMES) transition.

HCPF proposed the addition of various FTEs to effectively manage and maintain the new contracts, testing requirements, and project management created through the CMES modular procurement.

Final Action: The full request passed with some technical adjustments for the FTE.

Final FY 2025-26 Budget Impact: \$1.4 million total funds, including \$0.1 million General Fund and 16.6 FTE.

R-09 Provider Rate Adjustments

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

HCPF proposed adjusting provider rates across several service categories to meet the projected budget shortfall. This included reducing 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.

Final Action: Three parts of this request were denied and replaced with a 1.6% across-the-board provider rate increase. The Community First Choice portion of the request passed.

FY 2025-26 Budget Impact: Increase of \$149.0 million total funds, including an increase of \$52.7 million General Fund.

R-10 Administrative Alignment

The operational spending authority for a HCPF-administered program is out of alignment with current program needs. The Colorado Healthcare Affordability and Sustainability Enterprise (CHASE), a State-owned business created within HCPF with an annual budget appropriated via the long bill appropriation process, requires a realignment of line item spending authority to support how the program is currently administered.

The Department requested a spending authority adjustment of existing appropriations to more accurately reflect the administrative costs of the CHASE. Spending authority from a discontinued CHASE program can be repurposed to address a shortfall of operational resources, including CHASE-dedicated FTE and vendor contract funding, and to correctly align the fund splits in certain administrative line items.

Final Action: This request passed, but scaled back with less FTE.

FY 2025-26 Budget Impact: Reduction of \$5.1 million total funds, including a reduction of \$1.9 million General Fund and an increase of 2.7 FTE.

R-11 Office of Community Living Benefits

HCPF has the opportunity to increase access to care for members who are currently not receiving care in the appropriate setting, and to increase the value of care for Community Based Long Term Care Services to better address member needs through a series of five

initiatives.

HCPF requested an expansion of the eligibility criteria for the Hospital Backup Unit program and the opportunity to offer a higher, tiered rate for Alternative Care Facilities to provide a more appropriate care option for members currently being treated in nursing facilities or hospitals. Introducing a group respite rate for the Children's Habilitation Residential waiver and extending the Complementary and Integrated Health Services waiver will ensure greater access to needed care options for members. Restructuring the rates for Job Coaching and Job Development will encourage providers to focus on value-based care for members and increase employment.

Final Action: All five elements of this request passed. However, the Complementary and Integrated Health Services Waiver was extended for five years rather than indefinitely. This request required legislation to extend the waiver.

- [SB25-226 Continuation of the Complementary and Integrative Services Waiver](#) Passed. Signed on May 20, 2025. Effective date August 6, 2025.

FY 2025-26 Budget Impact: \$1.4 million total funds, including \$0.5 million General Fund and 2.0 FTE.

- CHRP Group Respite Rate: \$0 Total Funds; \$0 General Fund
- Hospital Backup Unit Eligibility Expansion: reduction of \$0.8 million Total Funds; reduction of \$0.5 million General Fund
- Alternative Care Facility Tiered Rate: reduction of \$0.7 million Total Funds; reduction of \$0.4 million General Fund
- Complementary and Integrated Health Services Waiver Extension: \$2.6 million Total Funds; \$1.3 million General Fund
- Supported Employment Pilot Program: \$0.4 million Total Funds; \$0.04 M General Fund

R-12 Integrated Care Benefit

Through stakeholder engagement related to [HB 22-1302](#), HCPF identified existing problems and potential opportunities for better integrated care between behavioral health and primary care settings. Providers identified that billing practices are too complicated for short term behavioral health services, leading to administrative burden; current billing codes do not offer primary care providers options to do shorter assessments and interventions; and HCPF has an opportunity to allow providers to bill for new collaborative services that can achieve savings and better outcomes.

HCPF requested to move the first six short-term behavioral health services from the fee-for-service benefit to the behavioral health capitation program, implement new Health and Behavioral Assessment and Intervention (HBAI) codes and implement the Collaborative Care Model (CoCM) under the fee for service benefit for primary care doctors to utilize. HCPF's request aims to increase access to integrated care for patients with behavioral health disorders, reduce administrative burden for providers by simplifying billing practices and empower primary care providers to work more seamlessly with behavioral health specialists.

This request promotes equitable outcomes by expanding access to care for underserved populations including those in rural areas.

Final Action: All three components of this request passed.

FY 2025-26 Budget Impact: \$1.6 million Total Funds; \$0.4 million General Fund

- Expanding New HBAI Services: \$4.5 million Total Funds; \$1.0 General Fund
- Moving Short-Term BH/Psychotherapy Codes to the BH Capitation: reduction of \$5.8 million Total Funds; reduction of \$1.4 million General Fund
- Adding Collaborative Care Management Services: \$2.9 million Total Funds; \$0.7 million General Fund

R-13 Contract True Up

The spending authority for actuarial rate analysis, program audits, the Pre-Admission Screening and Resident Review (PASRR) contract, and the statutorily required nursing facility appraisals is currently insufficient to meet program needs. HCPF contracts with vendors to ensure its managed care rates comply with state statutes and federal regulations, and that the provider cost reports used to develop these rates and track quality metrics are accurate. Additionally, the funding for the PASRR contract is insufficient to procure a vendor to provide sufficient oversight of the nursing facilities. Finally, state statutes require HCPF to conduct nursing facility appraisals every four years, but the corresponding funding is misaligned with the timeline to complete the appraisals.

HCPF requested an increase in funding for several key areas. First, additional funds are needed for actuarial rate analysis to support the rate development of the HB 22-1289, “Cover All Coloradans” programs. Additionally, HCPF requested increased funding for auditing and PASRR contracts due to recent changes in reimbursement rates and operational requirements for these critical vendor contracts. Lastly, HCPF requested an increase in funding for FY 2025-26 and a corresponding decrease in funding for FY 2026-27 to align the current nursing facility rate setting timeline and statutorily required nursing facility appraisals with the quadrennial appropriation for state nursing facility appraisals.

Final Action: All four components of this request passed.

FY 2025-26 Budget Impact: \$1.0 million total funds, including \$0.4 million General Fund.

- **HB22-1289 Actuarial Analysis:** \$0.06 million Total Funds; \$0.05 million General Fund
- **Audit Contract Funding:** \$0.2 million Total Funds; \$0.1 million General Fund
- **State Nursing Facility Appraisal:** \$0.3 million Total Funds; \$0.2 million General Fund
- **Preadmission Screening and Resident Review:** \$0.4 million Total Funds; \$0.1 million General Fund

R-14 Convert Contractor to FTE

HCPF presented an opportunity to convert existing funding for contractor resources to Department FTE in a cost effective way. This request would help build and retain institutional knowledge within HCPF for county fiscal compliance by removing a contracted third party from the review process, while ensuring HCPF has the staff to conduct county fiscal oversight. In addition, HCPF has contracted technology supporting roles for Program Eligibility and Application Kit (PEAK) and Colorado Benefits Management System (CBMS). Contracting for technology services has become increasingly more expensive than hiring permanent staff to accomplish those same duties.

HCPF requested the conversion of certain contracted services into permanent positions. This included contractor funding for county expenditure reviews and for technology updates and tasks to help support HCPF's Program Eligibility and Application Kit (PEAK) and Colorado Benefits Management System (CBMS) systems.

Final Action: All three components of this request passed.

FY 2025-26 Budget Impact: Reduction of \$0.5 million total funds, including a reduction of \$0.07 million General Fund and an increase of 8.3 FTE.

- **County Expenditure Review:** Reduction of \$0.1 million Total Funds; \$.03 General Fund
- **PEAK Tech Support:** Reduction of \$0.3 million Total Funds; \$0.02 General Fund
- **CBMS UAT Tester FTE:** Reduction of \$0.1 million Total Funds; \$.02 General Fund

R-15 Pharmacy MAC

Currently, HCPF uses the Maximum Allowable Cost (MAC) rates in pharmaceutical pricing situations where there is insufficient data to calculate the Average Acquisition Cost (AAC) or National Average Drug Acquisition Cost (NADAC). The primary goal of the MAC methodology is to ensure that state Medicaid programs pay a fair and reasonable price for prescription drugs, particularly generics, while encouraging cost-effective prescribing practices. Colorado's MAC rates are above acquisition costs and Colorado has the opportunity to reduce health care expenditures by increasing the discount on prescription drugs that use MAC discount methodology.

HCPF proposed an increase to the MAC discount to offset pharmacy costs on certain drugs for which the AAC or NADAC are not available. The MAC pricing methodology applies different discount rates for generic and brand name drugs. HCPF requested an increase in both discount rates. Increasing the MAC discount would reduce pharmacy costs by aligning pharmacy rates closer to prescription drug acquisition costs.

Final Action: This complete request passed.

FY 2025-26 Budget Impact: Reduction of \$2.1 million total funds, including a reduction of \$0.5 million General Fund.

R-16 Medicaid Financing Reductions

HCPF proposed two initiatives to help balance the FY 2025-26 budget:

1. Repeal outdated cash funds and use the remaining balances to offset General Fund
2. 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.

Final Act: Both components of this request passed. In addition, this request required the following pieces of legislation:

[SB25-228 Enterprise Disability Buy-In Premiums](#) - Passed. Signed May 30, 2025. Effective date May 30, 2025.

[SB25-264 Cash Fund Transfers to General Fund](#) Passed. Signed April 25, 2025. Effective date April 25, 2025, except Section 38 is effective July 1, 2025.

[SB25-270 Enterprise Nursing Facility Provider Fees](#) Passed. Signed April 30, 2025. Effective date May 1, 2025. *This initiative was not included in the Department's R-16 request but is aligned with moving the buy-in premiums to the Enterprise.*

FY 2024-25 Budget Impact: \$0 total funds, including a reduction of \$0.7 million General Fund.

Budget Amendments

HCPF also requested the following nine budget amendments:

[BA-07 Interagency Financing for 1115 Waiver](#) - Passed and required legislation. \$7.4 million Total Funds; reduction of \$8.5 million General Fund (*includes impacts to other state agencies*)

- [SB25-308 Medicaid Waiver Reinvestment Cash Fund](#): By utilizing Federal Funds for services previously fully funded by General Fund, the bill creates a cash fund system to reinvest saved General Fund. Services newly eligible for Federal Funds, per 1115 waiver authority, include Health Related Social Needs and Reentry services. Passed. Signed on May 30, 2025. Effective date May 30, 2025.

[BA-08 Technical Adjustments](#) - Passed. Corrects accounting for previously approved JBC actions. \$0.7 million Total Funds; reduction of \$2.6 million General Fund (*includes impacts to other state agencies*)

[BA-09 Department of Justice Litigation Settlement](#)- Passed. \$3.7 million Total Funds; \$0.02 million General Fund

[BA-10 System of Care Funding](#) - Passed and required legislation. \$0.0 million Total Funds; \$0.0 million General Fund

- [SB25-292 Workforce Capacity Development Center](#): Outlines structure and purpose of Workforce Center, includes a reporting requirement. Passed. Signed on May 30, 2025. Effective date May 30, 2025.

- [SB25-294 Reinstate Managed Care Carve Out for Child Welfare](#): Postpones move of residential treatment from the child welfare block to behavioral health capitation/the RAEs. Passed. Signed on May 31, 2025. Effective date May 31, 2025.

[BA-11 American Rescue Plan Act \(ARPA\) Funding True Up](#) - \$0.0 million Total Funds; \$0.0 General Fund

[BA-12 Non-Emergent Medical Transportation](#) - \$1.7 million Total Funds; \$0.7 million General Fund

[BA-13 Public School Health Services Funding Adjustment](#) - reduction of \$21.8 million Total Funds; \$0 General Fund

[BA-14 All-Payer Claims Database \(APCD\) Cybersecurity](#) - Passed with reduction. \$0.4 million Total Funds; reduction of \$0.9 million General Fund

[BA-17 Personal Services Reduction](#) - reduction of \$1.2 million Total Funds and 10.0 FTE; reduction of \$0.6 million General Fund

JBC Budget Reduction Items

In addition to the requests above, the JBC took action to include certain reduction items in the Long Bill to reduce Medicaid and CHP+ impacts on the General Fund. The provisions were passed by the full General Assembly. Below are the initiatives with significant impacts:

- Non-Emergency Medical Transportation (NEMT) Rate Reduction
- Implementing Expanded Prepayment Claims Review
- Six-Month Delay in Community Health Workers Benefit, including [SB25-229 Reimbursement for Community Health Workers](#)
- Limit Peer Supports to Certain Provider Types in Behavioral Health
- True Up Appropriation for SB21-009 Reproductive Health Program

For more information contact:

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