



**COLORADO**  
Department of Health Care  
Policy & Financing

# FY 2025-26 Budget Agenda Summary

*November 1, 2024*

Below is a summary of 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.

HCPF's proposed annual budget for FY 2025-26 is \$17.4 billion in total funds, including \$5.4 billion General Fund, and would cover an average of 1.4 million Coloradans on Medicaid and CHP+ in FY 2025-26. Overall, the HCPF budget request reflects an increase of nearly \$1.4 billion in total funds, including \$438 million in General Fund.

This year, HCPF's budget requests focus 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.

Additional detail is available [on our website](#). The budget becomes final after the Colorado General Assembly passes the "Long Bill" and the Governor signs it into law.

## Budget Requests

### 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 supports 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 requests 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.

**FY 2025-2026 Budget Impact:** Reduction of \$2.5 million total funds, including a reduction of \$1.3 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, has 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, leading to a more positive experience for both county staff and Colorado residents.

HCPF requests 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 requests funding for additional pool hours for quarterly CBMS builds, along with funding for other CBMS improvements, automation, and innovation initiatives. Lastly, HCPF requests 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.

**FY 2025-26 Budget Impact:** \$38.2 million total funds, including \$4.1 million General Fund and 15.7 FTE.

### **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 re-reprocuring 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. Current staff are at capacity and additional testers, contract managers, project managers, and administrative support are needed to support the Colorado Medicaid Enterprise System (CMES) transition.

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

**FY 2025-26 Budget Impact:** \$1.9 million total funds, including \$0.3 million General Fund and

16.6 FTE.

### **R-09 Provider Rate Adjustments**

The State currently faces limited General Fund spending growth. HCPF has 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 proposes adjusting provider rates across several service categories to meet the projected budget shortfall. This includes 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.

**FY 2025-26 Budget Impact:** Reduction of \$74.6 million total funds, including a reduction of \$22.1 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 that is 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 is requesting 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.

**FY 2025-26 Budget Impact:** Reduction of \$4.3 million total funds, including a reduction of \$2.2 million General Fund and an increase of 6.4 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 requests to expand the eligibility criteria for the Hospital Backup Unit program and 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.

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

### **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 have 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 requests 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.

**FY 2025-26 Budget Impact:** \$1.5 million in total funds, including \$0.4 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 is requesting 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 is requesting increased funding for auditing and PASRR contracts due to recent changes in reimbursement rates and operational requirements

for these critical vendor contracts. Lastly, the HCPF is requesting 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.

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

### **R-14 Convert Contractor to FTE**

HCPF has an opportunity to convert existing funding for contractor resources to Department FTE in a cost effective way. This request will 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 requests to convert certain contracted services into permanent positions. This includes contractor funding for county expenditure reviews and for technology updates and tasks to help support the HCPF's Program Eligibility and Application Kit (PEAK) and Colorado Benefits Management System (CBMS) systems.

**FY 2025-26 Budget Impact:** Reduction of \$0.1 million total funds, including a reduction of \$0.1 million General Fund and an increase of 8.3 FTE.

### **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 proposes to increase 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 is requesting to increase both discount rates. Increasing the MAC discount will reduce pharmacy costs by more closely aligning pharmacy rates with prescription drug acquisition costs.

**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 proposes implementing 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.

**FY 2025-26 Budget Impact:** \$0 total funds, including a reduction of \$0.7 million General Fund.

### **For more information contact:**

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