



CO Medicaid Insights & Potential Federal Medicaid Reduction Impact Estimates

Updated: April 14, 2025

Congress is preparing bill language to facilitate budget reconciliation, which allows for passage of budget or tax related bills with a simple majority. While the specifics are unknown, the most frequently mentioned potential Medicaid cuts and their estimated impacts nationally and to Colorado are listed below. Not all options will be selected to achieve the ultimate, targeted cuts, but cuts from several areas may be adopted.

Unique to Colorado, in addition to a balanced budget requirement, is that Colorado’s constitutional Taxpayer Bill of Rights (known as TABOR) constrains growth in state spending and also limits our ability to increase revenues from taxes. If significant federal Medicaid cuts were realized, options available to other states such as raising taxes in response are likely not feasible here.

Provision	National Impact/10 years Federal Budget Savings Projections	Colorado Impact (financial and enrollment)
Adding Work Requirements for Affordable Care Act (ACA) Medicaid Expansion Population	<p>\$109 Billion Reduction, Congressional Budget Office (CBO) estimate</p> <p>11 states were approved for work requirements from 2017-21 but only 2 states implemented work requirements, Arkansas and Georgia with significant administrative costs. Proposals varied for populations subject to work requirements and how many work hours were required. Most included working-age adults (ages 18 to 64) working or engaging in other approved activities 80 hours a month, or 20 hours per week. Some included exemptions for people with disabilities, pregnant people, those deemed medically frail, and caregivers for young children or family members with a disability. CBO found work requirements in TANF and SNAP had mixed results - slight gains in employment, but not increased average income in the target populations largely because income gains from people working more have been offset by income losses from people removed from the programs for not complying with requirements.</p>	<p>Estimated could apply to current CO ACA Expansion population (adults without kids and some parents), which is 377,019 members</p> <p>States who have launched work requirements have experienced significant administrative costs, burden and increased churn. Assuming similar administrative costs as Arkansas of \$152/enrollee, Colorado’s administrative costs could be more than \$57 million. Given Colorado’s state supervised, county administered model, implementation of this new requirement could have additional administrative costs to consider for Colorado.</p> <p>Costs to implement will be difficult to estimate until actual bill language and excluded populations are clarified and subsequent federal guidance is available.</p>



Provision	National Impact/10 years Federal Budget Savings Projections	Colorado Impact (financial and enrollment)
Elimination of the FMAP Floor	<p>\$530 Billion Reduction over 10 years, CBO estimate</p> <p>10 states are exactly at floor: CA,CO,CT,MD,MA,NH,NJ,NY,WA,WY</p>	<p>The Federal Medical Assistance Percentage (FMAP) is used to determine the federal matching rate paid to states. With the elimination of the FMAP floor, Colorado's share of Medicaid FMAP would be reduced from 50% (the current floor) to an estimated 36.63%. Specifically, given the current formula in federal law, if the FMAP floor were removed, our federal match is projected to be 41.85% in SFY 2025-26 and 36.63% in SFY 2026-27.</p> <p>The impact would range from ~\$900 million state General Fund (SFY 2025-26 estimate) to ~\$1.5 billion state General Fund (SFY 2026-27 estimate).</p>
Per Member Caps on Federal Funding - overall population	<p>\$907 Billion Reduction over 10 years, CBO estimate</p> <p>Nationally, Medicaid and the Children's Health Insurance Program (CHIP) covers 79.3 million (Oct. 2024), including 72 million in Medicaid and 7.25 million in CHIP.</p> <p>CBO estimates federal funding reductions of this magnitude would cause states to cut Medicaid coverage, including some states dropping the ACA Medicaid expansion, along with other cost-cutting actions such as reducing Medicaid benefits and provider payments. CBO estimates that about half of the people losing Medicaid coverage would become uninsured. In a previous analysis, CBO noted that under a per capita cap or overall cap, households could face significant increases in medical debt and bankruptcies.</p>	<p>The implementation of per-capita caps overall would reduce federal Medicaid funding in Colorado by an estimated \$1.34 - 1.51 billion annually.</p> <p>Estimate notes: CBO estimated a national \$907 billion reduction over 10 years, which is an estimated national annual average of \$90.7 billion. Colorado Medicaid's 1.2 million covered lives (Oct. 2024) represents 1.67% of the national 72 million covered lives. Estimated annual federal funding reduction for Colorado based on covered lives share = \$1.51B annually</p> <p>Colorado Medicaid spend as a share of national Medicaid spend = 1.47%. Estimated annual federal funding reduction based on funding share = \$1.34B annually</p>
Changes to Provider Fees - Elimination of Provider Fees	<p>\$630 Billion Reduction over 10 years, CBO estimate</p> <p>Various options are being considered to limit provider fees.</p> <p>47 states have some version of a provider fee.</p>	<p>Hospitals contributed \$1.3 billion in fees in accordance with CO's federally approved hospital provider fee. Hospitals received \$1.75 billion in additional Medicaid payments under the Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) program, for a net gain of \$495 million to Colorado hospitals.</p>



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		<p>Before the implementation of the provider/CHASE fee in 2010, CO Medicaid paid hospitals on average \$0.54 cents on the dollar of hospital costs. In 2023, CO Medicaid paid hospitals \$0.79 cents on their dollar of cost due to the CHASE program.</p> <p>The CHASE hospital provider fee with federal match funds Colorado’s Medicaid and CHIP programs including the ACA Medicaid Expansion for lower income adults, children and pregnant women in CO CHIP, and Medicaid buy-in coverage for children and working adults with disabilities. A total of 427,000 Coloradans’ health coverage was funded by CHASE as of Sept. 2024. In Federal Fiscal Year 2024, CO Medicaid paid a total of \$3.1 billion in health coverage claims for these Medicaid and CHIP members, with approximately 31% or \$968 million paid for hospital care.</p>
<p>Changes to Provider Fees - Lower Threshold</p>	<p>\$48 Billion Reduction over 10 years, CBO estimate</p>	<p>The Healthcare Affordability and Sustainability (HAS) fee is used to draw federal matching funds to finance coverage for those covered under Medicaid Expansion and CHIP, while also financing hospital supplemental payments that serve to increase Medicaid reimbursements. A reduction in fees collected would reduce the federal funds Colorado would receive by well over double the value of the HAS fee reduction.</p> <p>Based on the draft FFY 2024-25 CHASE model, if the threshold is reduced from its current 6% to 5%, Colorado would be able to collect \$205 million less in HAS fees. (The CHASE threshold is the Net Patient Revenue (NPR) limit, and the reduction would occur in the HAS fee, which are the funds collected from the hospitals).</p> <p>If the threshold were lowered from 6% to 4%, Colorado would collect \$440 million less in HAS fee, while 3% would result in \$675 million less in HAS fee.</p>



Provision	National Impact/10 years Federal Budget Savings Projections	Colorado Impact (financial and enrollment)
Reduce Expansion Population Enhanced Federal Match from 90% to 50%	\$596 Billion Reduction over 10 years, CBO estimate	Reducing the current 90% match to Colorado's 50% matching rate would translate to an estimated more than \$1 billion reduction in federal matching funding annually . 377,019 Coloradans are covered through the expansion population. Costs would be felt by the economy, families going into bankruptcy, as well as hospitals and other providers left with increased uncompensated care costs.
Reduce Administrative Matching Funds for States	CBO estimates \$69 Billion Reduction over 10 years, if the same matching rate is used for all categories of administrative services	Enhanced administrative matching funds are used to fund technology advances, eligibility and claims systems, and certain member service and county eligibility and enrollment functions. They can also be leveraged for cost containment activities, such as the prescriber tool, utilization management, some fraud, waste and abuse mitigation efforts and more. Reducing the enhanced administrative match rates to 50% would translate to an estimated reduction of \$82 million in federal funds annually, while scaling back cost control activities would result in increased Medicaid claims cost trends.

Source notes: State FMAP levels are based on 2026 estimates by KFF [available here](#). States with provider fees are from [Medicaid Provider Taxes, Congressional Research Service, updated December 2024](#). The above chart is not all inclusive of all options being considered by Congress but rather lists frequently mentioned reduction items. Once bill language is available, additional analysis can be conducted and HCPF will develop new resources or publish updates to this document.

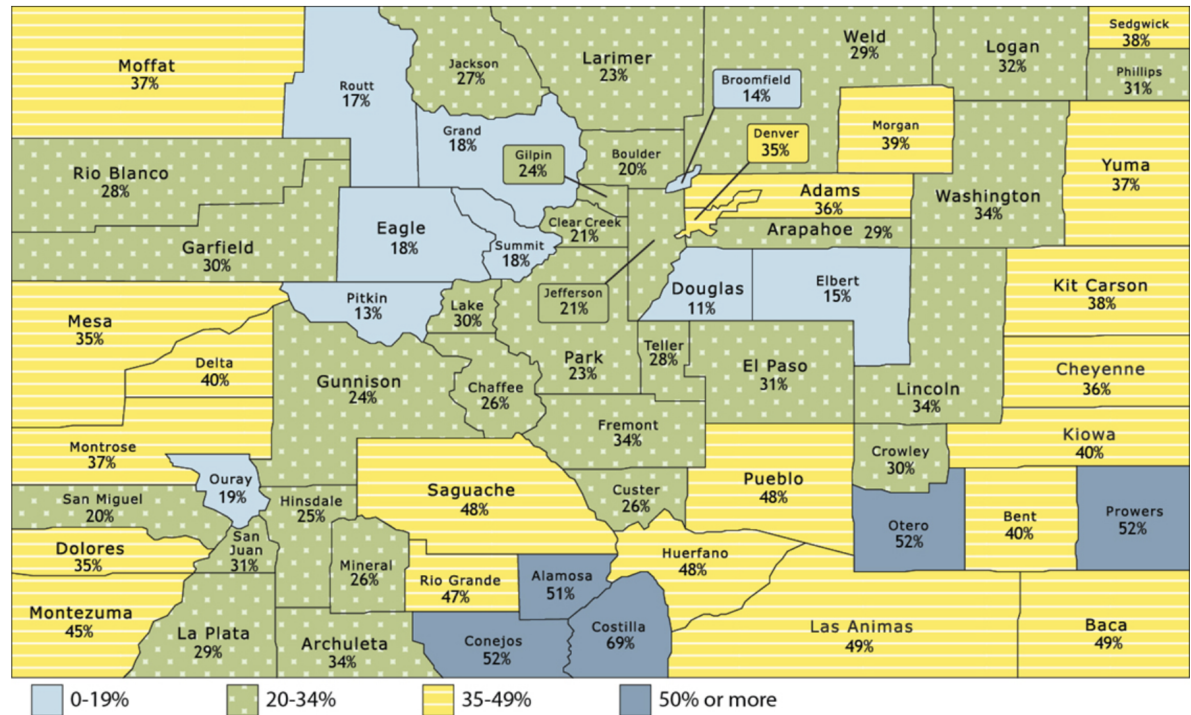


Who the Colorado Medicaid and Children’s Health Insurance Program Covers

As of October 2024, **79,308,002 people** were enrolled in Medicaid and CHIP in the **50 states** and the District of Columbia. This includes **72,058,701 people** enrolled in Medicaid and **7,249,301 people** enrolled in CHIP. Health First Colorado (Colorado’s Medicaid program), Child Health Plan *Plus* (CHP+) and other health care programs covered 1.31 million individuals as of January 2025, including 22% of Coloradans. Detailed demographics are provided below for the calendar year 2023:

- 55%: adults ages 19-64
- 39%: children, ages 18 and younger
- 6%: adults age 65 and older
- 44% of the state’s births were covered by CO Medicaid and CHP+
- 5% of covered Medicaid members were people with disabilities, but more than 40% of Medicaid expenditures financed their care.
- 87% live in urban areas while 14% live in rural or frontier counties, but many rural counties have a far higher percentage of their population on Medicaid and CHP+ (does not total 100% due to rounding)

Percentage of total population enrolled in Health First Colorado and Child Health Plan *Plus*, by county



Source of enrollment data is Medicaid Management Information System (MMIS). Percentages represent people enrolled for one day or more during calendar year 2023. 2023 population data as forecasted by the state demographer.



Medicaid’s Economic Impact Nationally and In Colorado, Including Federal Match

According to the [Centers for Medicare & Medicaid Services](#), the importance of the health care sector in a state’s economy is evidenced by health spending as a share of a state’s GDP. In 2023, Medicaid was 18 percent of total national health expenditures.

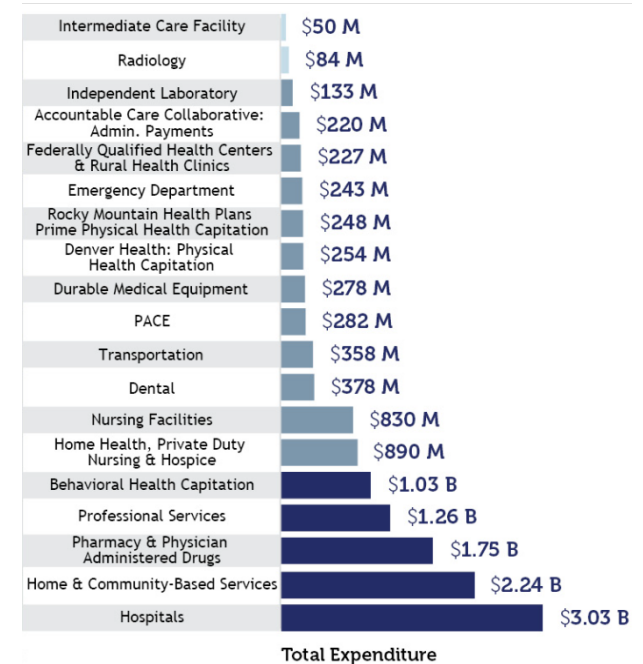
The National Bureau on Economic Research published a [working paper](#) in 2017 that concluded, “Using a nationally representative panel of 5 million credit records, we find that [Medicaid] expansion reduced unpaid medical bills sent to collections by \$3.4 billion in its first two years, prevented new delinquencies, and improved credit scores. Using data on credit offers and pricing, we document that improvements in households’ financial health led to better terms for available credit valued at \$520 million per year. We calculate that the financial benefits of Medicaid double when considering these indirect benefits in addition to the direct reduction in out-of-pocket expenditures.”

Buchmueller et al [reported](#) that “Evidence from the Great Recession shows that Medicaid spending is a highly effective form of stimulus: for every \$100, 000 of additional federal Medicaid spending, 2 workers gained a year of employment.” The Kaiser Commission on Medicaid and the Uninsured [found that](#) “Medicaid funding directly impacts health care service providers, supporting the jobs, income, and purchases associated with carrying out health care services.”

96% of CO Medicaid’s budget goes to pay health care providers, with only 4% going to administration. CO Medicaid is the most efficiently run health plan in CO. The chart to the right illustrates the major provider types receiving 96% of the Medicaid budget dollars.

For every dollar the state spends on Medicaid, the federal government matches at a specified percentage rate. Current federal law requires a minimum 50% federal matching rate for Medicaid in any state. The [federal matching rate](#) is based on a formula that considers each state’s per capita income relative to the national average.

Colorado receives the lowest federal matching rate at 50% - the current federal floor - in most cases. However, certain populations and certain services are matched at a higher federal rate, such as Medicaid expansion provisions, which are matched at 90%. On average, about 58% of all funding for HCPF’s budget, including Medicaid, CHIP, other programs and administration, comes in the form of federal matching funds, while 42% comes from state funding sources. For the ACA Expansion population, reducing the current 90% match to Colorado’s 50% matching rate would translate to over \$1 billion reduction in federal matching funding annually.



Medicaid Membership and Funding by Congressional District

This table has been updated to eliminate duplication across counties, *which impacts all figures including Total Expenditures.*

Congressional District	Counties in Congressional District (county specific fact sheets can be found at: hcpf.colorado.gov/county-fact-sheets)	Average Enrolled in Colorado Medicaid per month	*Average Enrolled in CHP+ per month	ACA Medicaid Expansion Population Members	**Total Medical Services Expenditure
1	Denver	211,721	7,923	81,614	\$2,230,232,592
2	Clear Creek, Routt, Jackson, Larimer, Grand, Boulder, Gilpin, Eagle, Summit, Weld, Jefferson	115,634	6,020	48,809	\$679,659,063
3	Moffat, Rio Blanco, Garfield, Mesa, Pitkin, Eagle, Gunnison, Delta, Montrose, Ouray, San Miguel, Dolores, Montezuma, La Plata, Archuleta, San Juan, Hinsdale, Mineral, Rio Grande, Conejos, Alamosa, Costilla, Huerfano, Pueblo, Otero, Las Animas, Saguache	228,019	11,810	78,327	\$1,650,379,167
4	Baca, Prowers, Bent, Kiowa, Crowley, Cheyenne, Lincoln, El Paso, Douglas, Elbert, Kit Carson, Yuma, Washington, Arapahoe, Adams, Morgan, Logan, Sedgwick, Phillips, Weld, Larimer	119,814	7,517	37,726	\$731,323,092
5	El Paso	178,644	7,738	61,705	\$1,840,239,329
6	Adams, Arapahoe, Denver, Douglas, Jefferson	176,847	9,083	58,700	\$2,831,805,752
7	Adams, Broomfield, Chaffee, Custer, El Paso, Fremont, Jefferson, Lake, Park, Teller	128,990	5,494	49,993	\$969,488,962



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8	Weld, Adams, Larimer	214,218	12,511	65,009	\$881,140,918

NOTE: Some counties are in more than one Congressional district (Weld, Jefferson, Adams, Larimer, Arapahoe, Eagle, El Paso, Denver); the above chart is broken out along District lines. Enrollment and expenditure data is from Colorado Interchange for State Fiscal Year 2023-24. It does not include members or providers who were unable to be mapped to Districts due to address/data issues. **Health First Colorado data:** Colorado Department of Health Care Policy and Financing, Business Intelligence and Data Management System (BIDM), July 1, 2023 - June 30, 2024, accessed on April 7, 2025. **District population data:** U.S. Census Bureau, My Congressional District, <<https://www.census.gov/mycd/?st=08&cd=01>>, accessed on March 4, 2025. **Member and provider Congressional District:** Walker K (2025). tigris: Load Census TIGER/Line Shapefiles. R package version 2.2.0, <https://github.com/walkerke/tigris>.

*Enrollment in CHP+ has increased since Fiscal Year 2023-24

**Does not include Supplemental Payments or CHP+ capitations. Includes: behavioral and medical services including dental, health care facilities such as hospitals and clinics, long term care services and pharmacy.

Additional Resources:

[FY 2023-24 HCPF Report to the Community](#) - December 2024, Annual overview of programs, expenditures

[Colorado Hospital Affordability and Sustainability Enterprise Annual Report](#) - January 15, 2025 overviews how Colorado uses provider fees

[Congressional District specific fact sheets](#) - April 2025

[Medical Assistance Coverage fact sheet](#) - March 2025

