COLORADO
Department of Health Care
Policy & Financing

CO Medicaid Insights & Potential Federal Medicaid Reduction Impact Estimates

Updated: February 26, 2025

Congress is preparing bill language to facilitate budget reconciliation, which allows for passage of budget or tax related bills with a simple majority. The process starts with a budget resolution to establish targets for spending or savings, then bill language is developed. Different targets for budget resolutions were announced and voted on by budget committees in the House and Senate in early February 2025, with larger savings targets in the House. There are several options that the House Energy and Commerce Committee has suggested as reductions to fund other priorities through reconciliation, including options to reduce federal Medicaid spending. Energy and Commerce oversees not just Medicaid, but other areas including energy, technology and health care, meaning federal spending cuts may come from other programs, too. **The current Energy and Commerce target is $880 billion in savings (10 year target).**

While the specifics are unknown, the most frequently mentioned potential Medicaid cuts and their high level estimated impacts nationally and to Colorado are listed below. Not all options will be selected to achieve the ultimate, targeted cuts, but likely cuts from several areas will be adopted.

Unique to Colorado, in addition to a balanced budget requirement, 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 or other states with similar laws limiting tax increases.

Provision	National Impact/10 yr Federal Budget Savings Projections	Colorado Impact (financial and enrollment)
Adding Work Requirements for Medicaid Expansion Population	$109 Billion Reduction, CBO estimate 11 states were approved for work requirements from 2017-21 but only 2 states implemented work requirements, Arkansas and Georgia with significant administrative costs. Prior proposals varied for whom they apply to 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	Current CO ACA Expansion population (adults without kids and parents): 377,019 members States who have launched work requirements have experienced significant administrative costs, burden and increased churn. Given Colorado's state supervised, county administered model, implementation of this new requirement could have additional administrative costs to consider for Colorado. Costs to implement will be difficult to estimate until actual bill language

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	included exemptions for people with disabilities, pregnant people, those deemed medically frail, and caregivers for young children or family members with a disability. The Congressional Budget Office has found that work requirements in TANF and SNAP have 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 the requirements.	and excluded populations are clarified and subsequent federal guidance is available.
Elimination of the FMAP Floor	$530 Billion Reduction, CBO estimate 10 states are exactly at floor: CA,CO,CT, MD, MA,NH,NJ,NY,WA,WY	The Federal Medical Assistance Percentages (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. **The impact would range from ~$900 million GF (FY 2025-26 estimate) to ~$1.5 billion GF (FY 2026-27 estimate)**
Per Member Caps on Federal Funding	$907 Billion Reduction over 10 years, CBO estimate Nationally Medicaid & the Children's Health Insurance Program covers 79.3 million (October 2024 last data available), including 72.0 million in Medicaid and 7.25 million in CHP+. CBO estimates that federal funding reductions of this magnitude would cause states to cut Medicaid coverage, including some states dropping the Affordable Care Act (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.	We estimate that the implementation of per-capita caps would reduce federal Medicaid funding in Colorado by **$1.34 - 1.51 billion annually.** Estimate notes: Dividing the $907B by 10, for an annual average = $90.7B Colorado Medicaid's 1.2M covered lives (Oct 2024) represents 1.67% of the national 72M covered lives. **Estimated annual federal funding reduction based on covered lives share = $1.51B annually** Colorado Medicaid spend as a share of national Medicaid spend = 1.47%. **Estimated annual federal fund reduction based on funding share = $1.34B annually**

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Changes to Provider Fees	Various options are being considered to limit provider fees. 47 states have some version of a provider fee. Estimates of reductions: Eliminate the threshold: $630 billion over 10 years, CBO estimates. - Lower threshold to 5%: $48 billion over 10 years; - Lower threshold to 2.5%: $248 billion over 10 years.	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. Before the implementation of provider/CHASE fee in Colorado 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. The CHASE hospital provider fee with federal match funds Colorado's Medicaid and CHP+ programs including the ACA Medicaid expansion for lower income adults and Medicaid buy-in coverage for children and working adults with disabilities. A total of 427,000 Coloradan's 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 CHP+ members, with approximately 31% or $968 million paid for hospital care.
Reduce Expansion Population Enhanced Federal Match from 90% to 50%	$596 billion in savings over 10 years, CBO estimate	**Reducing the current 90% match to Colorado's 50% matching rate would translate to over $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, hospitals and other providers left with unfunded claims (increased uncompensated care).

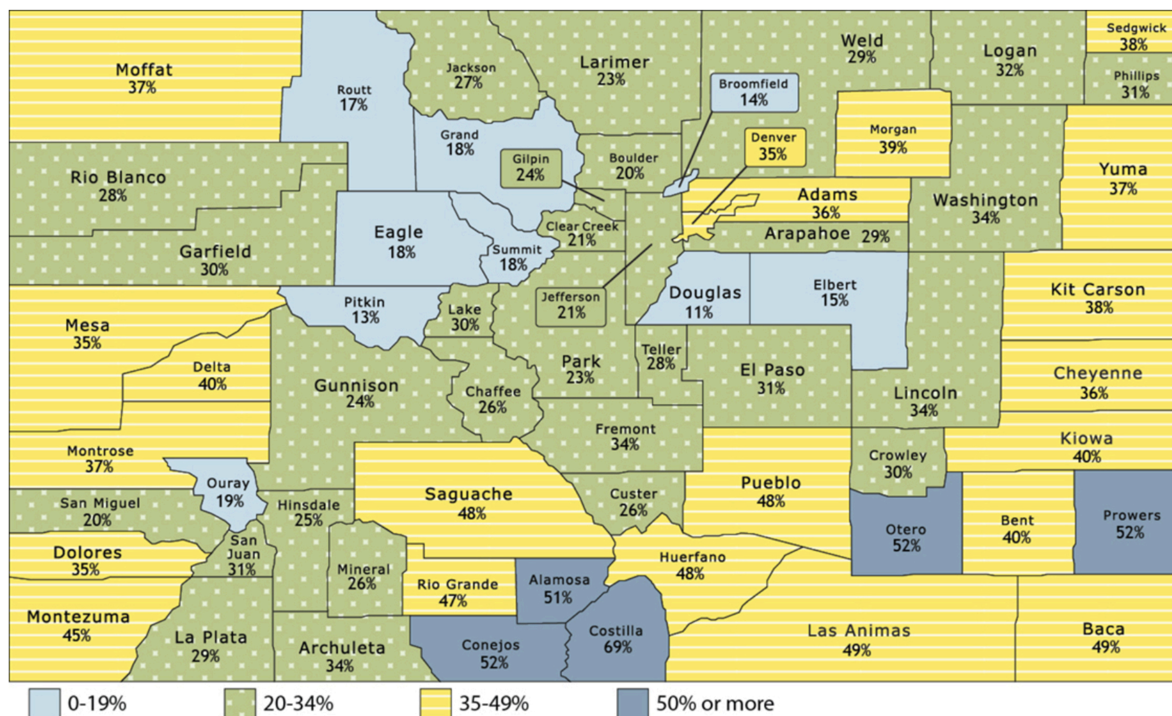
Source notes: State FMAP levels are based on 2026 estimates by KFF available here. States with provider fees are from Medicaid Provider Taxes, Congressional Research Service, updated December 2024. The above chart is not all inclusive of all options being considered by Congress but rather lists the most 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 & 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. 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 states births were covered by CO Medicaid and the Children's Health Insurance Program (CHP)
- 5% of covered Medicaid members were people with disabilities, but more than 40% of Medicaid expenditures financed their care.
- 87% lives in urban areas while 14% live in rural or frontier counties, but many rural counties have a far higher percent of Medicaid & CHP+ membership (does not total 100% due to rounding)

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

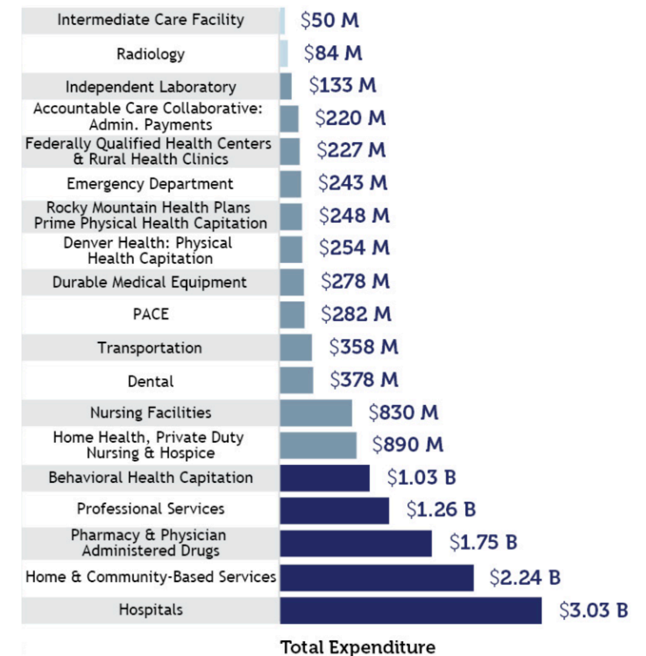


Source of enrollment data is Medicaid Management Information System (MMIS). Percentages represent people enrolled for one day or more during calendar year 2023. 2023 population data as forecasted by the state demographer.

Medicaid's Economic Impact Nationally and In Colorado, Including Federal Matching

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 that, "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 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, CHP+, other programs and administration, comes in the form of federal matching funds, while 42% comes from state funding sources. For the ACA expansion populations; **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 & Funding by Congressional District

To help localize information, HCPF produces county fact sheets including: enrollment information, population covered by Health First Colorado or CHP+, total Medicaid funding for members covered and top provider types receiving Medicaid funding. Data note: the chart duplicates information for counties in more than one district as more refined breakouts were not available.

Congressional District	Counties in Congressional District (fact sheets linked)	Average Enrolled in Colorado Medicaid	Average Enrolled in CHP+	ACA Medicaid Expansion Population Members	*Total Medical Services Expenditure
1	Denver	204,935	7,947	82,216	$1,820,953,376
2	Clear Creek, Routt, Jackson, Larimer, Grand, Boulder, Gilpin, Eagle, Summit, Weld, Jefferson, Broomfield	323,760	17,933	124,928	$2,784,221,837
3	Moffat, Rio Blanco, Garfield, Mesa, Pitkin, Eagle, Gunnison, Delta, Montrose, Ouray, San Miguel, Dolores, Montezuma, La Plata, Archuleta, San Juan, Hinsdale, Mineral, Rio Gande, Conejos, Alamosa, Costilla, Huerfano, Pueblo, Otero, Las Animas, Saguache	227,583	12,416	81,233	$2,036,487,592
4	Baca, Prowers, Bent, Kiowa, Crowley, Cheyenne, Lincoln, El Paso, Douglas, Elbert, Kit Carson, Yuma, Washington, Arapahoe, Adams, Morgan, Logan, Sedgwick, Phillips, Weld, Larimer	710,264	38,714	243,201	$6,309,213,806
5	El Paso, Teller	182,562	8,182	65,716	$1,720,668,747
6	Adams, Arapahoe, Jefferson	404,760	21,218	141,211	$3,737,053,257
7	Jefferson, Teller, Park, Lake, Chaffee, Fremont, Custer, Broomfield	131,342	5,967	52,606	$1,260,184,497
8	Weld, Adams, Larimer	305,771	17,975	102,525	$2,430,460,201

NOTE: Some counties are in more than one Congressional district (Weld, Jefferson, Adams, Larimer, Arapahoe, Teller, Eagle, El Paso), the chart is not broken out exactly along District lines. The members and medical services expenditures for counties that are in more than one district are duplicated in this chart. Information is annualized based on fiscal year 2024-25 enrollment and spending levels.*The top five claim types include Long Term Care, Pharmacy Claims, Professional Claims, Ancillary Services and Inpatient Claims.

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