

Presentation to the Medical Services Board

February 13, 2026

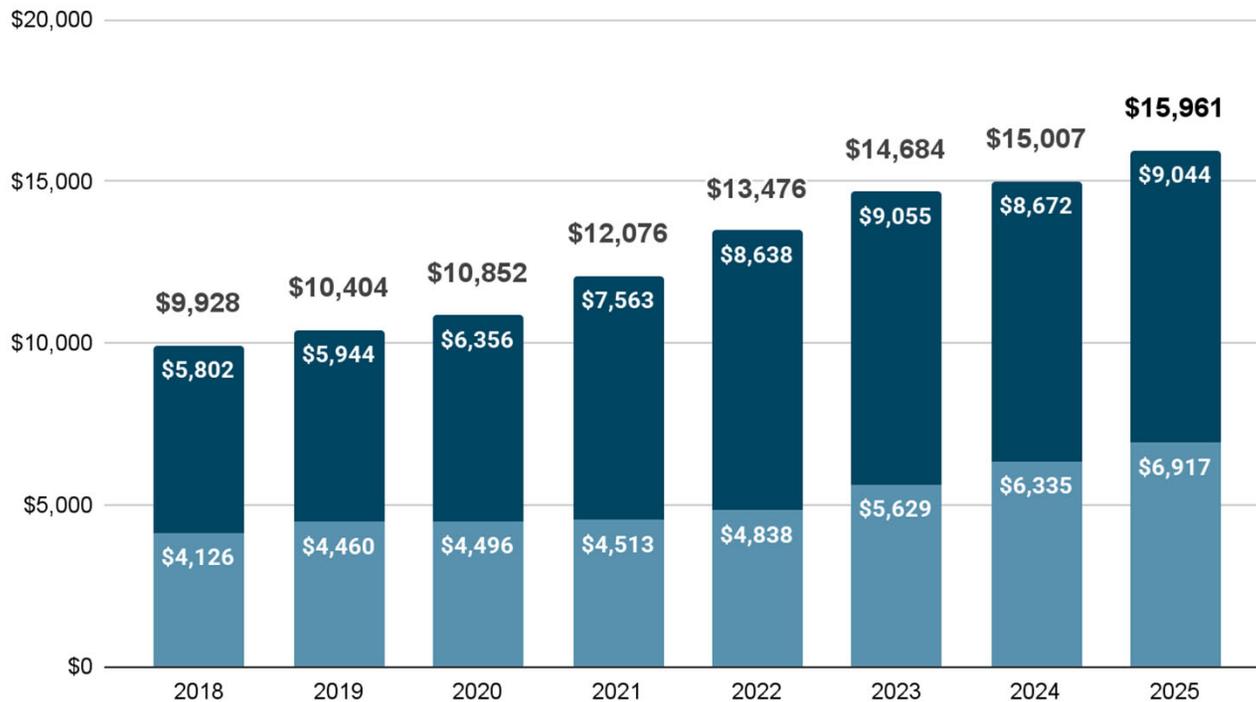
State Fiscal Context

- Medicaid consumes more than one-third of Colorado's state budget.
- Revenue growth limited by TABOR and other fiscal constraints, including state balanced budget requirement.
- Federal policy changes, particularly H.R. 1, are decreasing state revenue, reducing federal contributions and increasing state obligations.
 - The State's urgent deficit was \$800M this fiscal year
 - Additional reductions for next fiscal year required, \$314M for HCPF
- Without action, Medicaid and LTSS costs will outpace revenues and further, more dramatic cuts will be required to balance the budget.

Colorado Medicaid/CHP+Total Expenditures Over Time

Total Medicaid/CHP+ Appropriations (millions), SFY 2018-2025

Federal Funds State Funds



Spending has increased by nearly 60% since SFY 2018; Similar growth rates are expected to persist

- HR1 will limit Colorado's ability to collect new Case Fund provider fees and increases to General Fund contributions are restricted by TABOR

Recent Benefit Expansions

50+ bills expanded eligibility, broadened covered benefits and reduced barriers to care

Eligibility Expansions

- Medicaid buy-in options for individuals with disabilities
- Family planning for individuals over-income for Medicaid
- Coverage of health services for incarcerated individuals prior to release
- Reproductive health coverage for immigrants
- Extended postpartum coverage (12 months)
- Cover All Coloradans initiative
- CHP+ expansion to 260% FPL



Behavioral Health Transformation

- Creating a statewide behavioral health system \ Behavioral Health Administration
- Expanded crisis services
- Peer supports
- Mobile crisis response
- Substance use disorder treatment
- Certified Community Behavioral Health Clinics
- Colorado System of Care for Children and Youth



Maternal and Reproductive Health

- Doula services
- Choline supplements
- Family planning expansion
- Supports for high-risk pregnancies



Reduced Barriers to Care

- Removal of prior authorization for psychotherapy and equipment repairs
- Elimination of pharmacy, outpatient copays and CHP enrollment fees
- Step therapy exceptions
- Coverage of clinical trial costs



Cost Centers vs. Cost Growth Drivers

Total Medicaid Benefit Spending and Benefit Spending Growth by Category

	% of Total Spending in SFY 2025	% of Total Spending Growth, SFY 2019 - 25
LTSS	35.2%	42.1% (+6.9 pct pts)
Other*	18.4%	13.9% (-4.5 pct pts)
Hospital Supplemental Payments	10.1%	5.4% (-4.7 pct pts)
Behavioral Health	8.2%	10.6% (+2.4 pct pts)
Physician and Clinic Services	7.3%	5.5% (-1.8 pct pts)
Hospital Inpatient	7.0%	4.4% (-2.6 pct pts)
Pharmacy	5.2%	6.5% (+1.3 pct pts)
Hospital Outpatient	4.8%	3.7% (-1.1 pct pts)
NEMT	1.9%	3.9% (+2 pct pts)
PBT	1.9%	3.9% (+2 pct pts))

Notes: *Other benefit spending includes spending on dental, labs, imaging, managed care plan capitation payments, and other benefits. Total Medicaid benefit spending calculated from monthly caseload reports; which may result in differences from prior reporting. Pharmacy spending does not include physician-administered drugs. Pharmacy spending and total spending include drug rebates. HCPF provided adjusted drug rebate data excluding rebates on physician administered drugs to align with pharmacy spending captured in Caseload reports. Estimated rebates for CY 2024 used as a proxy for rebates in SFY 2025 due to data lag. Hospital supplemental payments include inpatient and outpatient supplemental payments. Source: Data on PBT spending and drug rebates provided by HCPF; all other data from Colorado Caseload reports from SFY 2019-2025

Medicaid Sustainability Framework helps us better manage Medicaid trends and avoid draconian cuts

1. **Address Drivers of Trend:** Better address all the controllable factors that drive Medicaid cost trends
2. **Maximize Federal Funding:** Leverage and maximize HCPF's ability to draw down additional federal dollars
3. **Invest in Coloradans:** Continue investing in initiatives to drive a Colorado economy and educational system to reduce the demand for Medicaid over the long term as Coloradans rise and thrive
4. **Make Reasonable Medicaid Cuts or Adjustments:** Identify where programs, benefits, and reimbursements are comparative outliers or designed in such a way that we are seeing - or will experience - higher than intended trends or unintended consequences
5. **Reassess New Policies:** Consider pausing or adjusting recently passed policies not yet implemented
6. **Exercise Caution in Crafting Increases** to the Medicaid program going forward

Reductions & Cost Drivers

HCPF has observed three key drivers of cost increases: utilization, rate increases, and enrollment/eligibility; proposed sustainability actions directly address these cost drivers.

Utilization

- Definitive Drug Testing;
- Reinstate prior authorization outpatient psychotherapy;
- Implement pre- and post- claim review pediatric autism behavioral therapy;
- Delay implementation of Community Health Workers;
- Soft Cap Certain HCBS/CFC Services;
- Cap Weekly Caregiving Hours;
- Cap Weekly Homemaker Hours for Legally Responsible Persons;
- Unit Limitations for Community Connector.

Rates

- Roll back 1.6% rate increase;
- Reduce rates by 0.75%;
- Adjust Community Connector Rate (-15%);
- Eliminate Nursing Facility Minimum Wage Supplemental Payment;
- Delay Access Stabilization payments
- Reducing Certain Rates to 85% of Medicare Benchmark;
- Outpatient Drug Rate Reduction; and
- Align Community Connector Rate with Supported Community Connections(-23%).

Eligibility/Enrollment

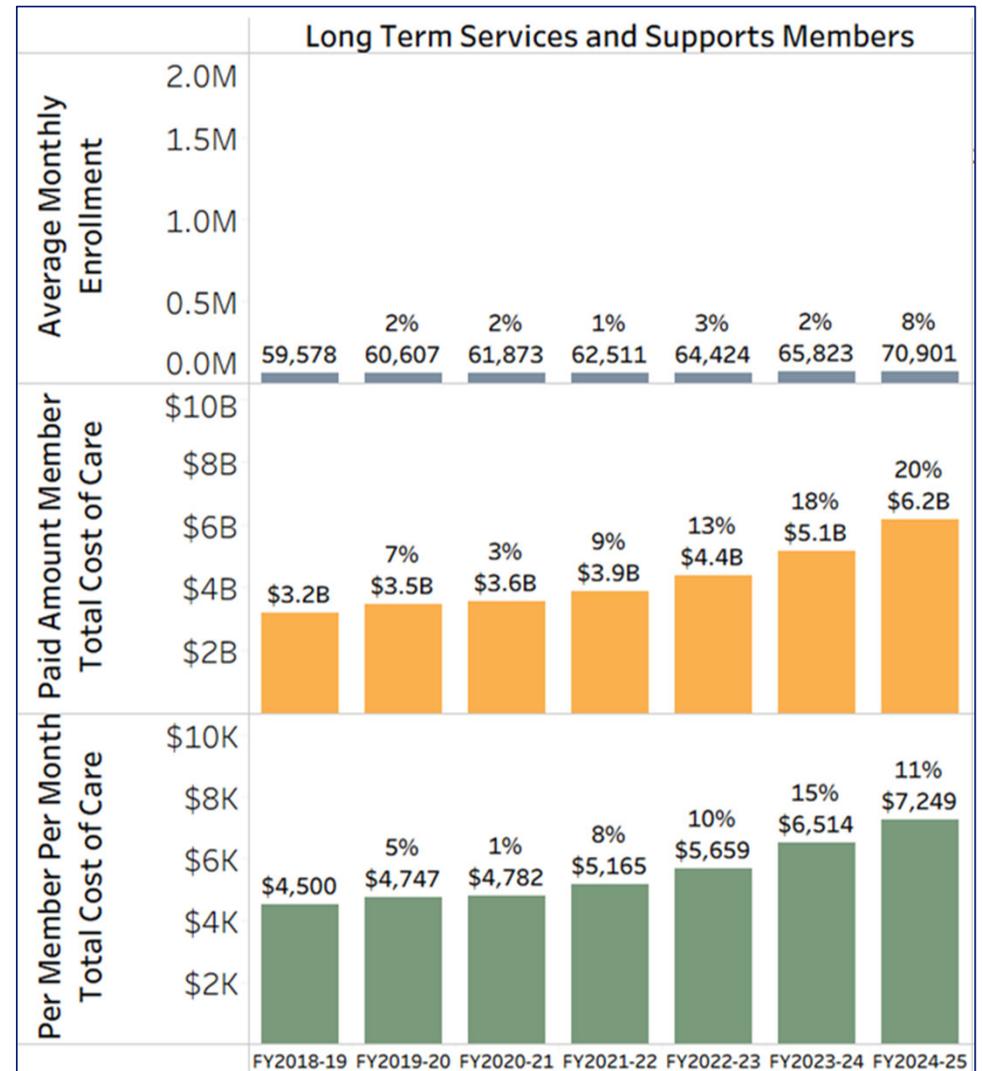
- Ending Continuous Coverage;
- Reduction in Immigrant Family Planning;
- Align IRSS rates;
- Change Auto Enrollment for DD Waiver Youth Transitions;
- Reduce DD Waiver Churn Enrollments; and
- LTSS presumptive eligibility (PE) delay.

LTSS Rising Enrollment & Cost Trend

The cost trend for Long-Term Services and Supports has continued to **grow at a rapid rate**: With total cost of care for LTSS members increasing by **\$1.02B** in just one year (FY23/24 to FY24/25)

Over the past several years, the increase year over year has gotten as **high as 20%**

Though member total cost of care is increasing overall, the **primary driver of that increase is the cost of member's LTSS**



Continued Spending Growth Forecasted

FY 2026-27 LTSS Budget increasing by \$217M

Item	Total Funds	General Funds	Cash Funds	Federal Funds
FY 2026-27 Forecasted Year over Year Growth in LTSS	\$378.1M	\$148.2M	\$3.1M	\$227.8M
Sustainability Actions Savings	-\$161.96M	-\$79.6M	-\$616K	-\$81.7M
FY 2026-27 New Year Over Year Growth	\$217.2M	\$68.6M	\$2.4M	\$146.1M

HCBS Waiver Program Growth FY19-25

HCBS Waiver - Children	CLLI	CHCBS	CHRP	CES
Current Enrollment	2,890		588	4,971
Enrollment Growth	-18%	+56%	+1,928%	+130%
Per Member per Month Waiver FY25 Cost & Growth	\$3,348 -16%	\$74,525 +274%	\$87,210 +35%	\$40,838 +176%

Merged July 1, 2025

HCBS Waiver - Adults	CIH	DD	BI	EBD	SLS	CMHS
Current Enrollment	481	9,119	907	34,378	5,371	4,171
Enrollment Growth	+203%	+43%	+67%	+28%	+5%	+9%
Per Member per Month Waiver FY25 Cost & Growth	\$75,887 +104%	\$107,309 +41%	\$86,636 +49%	\$44,556 +112%	\$26,798 +80%	\$28,359 +94%

LTSS Sustainability Actions Address Cost Drivers

Cost Growth Factors

45.9% is utilization

- Soft Cap on Certain HCBS/CFC Services
- Cap Weekly Caregiving Hours
- Cap Weekly Homemaker Hours for LRPs
- Unit Limitations for Community Connector

42.7% is rate increases

- Roll back 1.6% rate increase & reduce rates by 0.75%
- Adjust Community Connector Rate (-15%)
- Eliminate NF Min. Wage Supp.
- Align IRSS rates
- Align Community Connector Rate with SCC (-23%)
- LTHH unit durations, CFC & LTHH group rates, PDN per diem rate, Res. Hab. Level 7 standardize negotiated rate tool

11.4% is enrollment/eligibility

- Change Auto Enrollment for DD Waiver Youth Transition
- Reduce DD Waiver Churn Enrollments
- LTSS PE delay
- Community Connector Age Limit
- Other savings: Align Member Cost of Care Contrib. (DD PETI) Aims at alignment, not utilization, rates, or enroll./elig.

Sustainability Actions

Authorities Related to Proposed Reductions

- The Department was initially directed through SB25B-001, passed during special session, and the subsequent Executive Orders to execute 26 Actions to address the current state fiscal crisis
 - Some Actions were to be implemented next FY, others were more urgent
 - Since that time, HCPF has been engaging with stakeholders and working to operationalize these Actions
- On January 30th, several Actions intended to begin this FY went in front of the Joint Budget Committee through the Supplemental Process
 - Those that were approved and require rules, are being presented today and have a 4/1 effective date; others were tables and will be revisited for a future effective date
 - Pausing implementation until a decision is made from JBC

Why Emergency Rules: Required Savings

1

August 2025

- Special Session held- Passage of B25B-001 giving Governor the authority to make reductions
- Executive Order 25-14 announces first round of reductions
- HCPF announces changes, begins engagement

2

October 2025

- Governor's FY26/27 budget released on October 31, 2025
- Second round of reductions announced through Executive Order 25-020
- External engagement continues, reductions operationalized

3

Jan/Feb 2026

- Emergency rules presented to MSB
- Training conducted for Case Managers, memos released
- Case Managers begin member conversations allowing 60-90 days before effective date
- JBC Supplemental Hearing

4

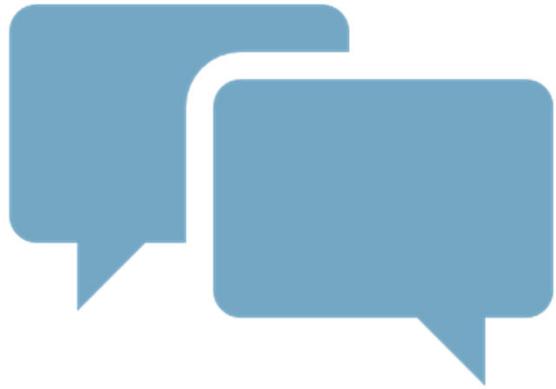
April 2026

- Actions requiring savings this fiscal year become effective
- Some are effective immediately, others are on a short-term rolling implementation
- Permanent rules presented to MSB

MSB Emergency Rules

- What is an emergency rule?
 - C.R.S. 24-4-103(6)(a) - Administrative Procedure Act

“immediate adoption of the rule is imperatively necessary to comply with a state or federal law or federal regulation or for the preservation of public health, safety, or welfare and compliance with the requirements of [the APA] would be contrary to the public interest”
- Who decides what qualifies as an emergency rule from a legal perspective?
 - Solicitor General at the Colorado Attorney General’s Office has the final say
 - Initial input and feedback from HCPF Legal and AG’s Office



Questions?

Authorities Related to Proposed Reductions

The State is required to have a balanced budget and, due to immediate impacts from the passage of HR1, was required to adjust spending for this fiscal year (2025-2026) as well as reductions for future years

- Because of this urgency, the budget reductions needed to be authorized **outside of the regular budget and legislative processes**
- Passed during the Special Session, SB25B-001 made changes to CRS 24-75-201.5, enabling the governor to suspend or discontinue, in whole or in part, "the functions or services of any department" via executive order
- The effect of this bill was to override existing statute and allow the Governor to take action. The Governor then issued two Executive Orders in August (2025-14) and October 2025 (2025-020/022). Each EO has a maximum duration of 90 days. The current one ends no later than Feb 28.

Why Emergency Rules: EO Announcement

The Governor's August EO included 16 actions for HCPF

- Included the Individual Residential Supports and Services (IRSS) Action
 - Since it's announcement, the Department has been:
 - Developing the policy, drafting the revised rules, collecting and reviewing feedback, hosting meetings with stakeholders, and revising the rules to bring them to MSB

The Governor's October 31st EO included apx 20 actions for HCPF

- Included the Community Connector Actions, Soft Caps for HCBS services, and weekly caregiver cap Actions
 - Since its announcement, the Department has been:
 - Developing the policy, drafting the revised rules, working with Case Management Agencies on operational plans, collecting and reviewing feedback, revising the rules to bring them to MSB

HCPF's FY 2026-27 Budget

Governor's Budget released on October 31, 2025

- HCPF's proposed annual budget for FY 2026-27 is \$20.6 billion in total funds (TF), including \$5.99 billion General Fund (GF).
 - Representing an increase of \$2.3 billion TF including a \$413 million increase GF
 - About 96% of total funds allocated to HCPF go to providers to care for members
 - Funding allocated to HCPF in the Governor's FY 2026-27 budget request represents 32% of available General Fund for the entire state budget.
- HCPF budget includes a reduction of \$537 million TF, including \$217 million GF (\$20.6 billion TF is net of the \$537 million TF reductions)

Resources: [HCPF FY 2026-27 Budget Agenda Summary](#); [FY 2025-26 HCPF Budget Reductions Fact Sheet](#); [FY 2026-27 Budget Requests](#)

Our HCPF/Medicaid Federal Fiscal Challenges

- COVID related federal stimulus dollars are gone.
- Federal general perspectives of Medicaid's purpose have changed, threatening funding for already approved programs and care, or creating new risks
- H.R.1 causes state tax revenue reductions & ratchets down fed funding via its Medicaid Provider Tax provisions by 0.5%/yr from FFY 2028 (starts October 2027) to FFY 2032 (ends September 2032), reducing fed revenues by \$1B-\$2.5B
- Admin burden goes up - work requirements, 6 vs 12 months renewals, FWA, immigration
- Fed funding clawback risk increases with H.R.1 Medicaid Payment Error Ratio Measurement (PERM) audit provisions: every 0.1% over 3% = \$9.3M; i.e.: 5%= \$186M

Fiscal Yr	Year End GF (in millions)	% Growth	GF Actuals Growth
FY 2015-16	\$2,364.0	7%	\$153.40
FY 2016-17	\$2,407.5	2%	\$43.50
FY 2017-18	\$2,679.6	11%	\$272.10
FY 2018-19	\$2,824.8	5%	\$145.20
FY 2019-20	\$2,822.5	0%	(\$2.30)
FY 2020-21	\$2,556.6	-9%	(\$265.90)
FY 2021-22	\$2,865.7	12%	\$309.10
FY 2022-23	\$3,452.3	20%	\$586.60
FY 2023-24	\$4,362.0	26%	\$909.70
FY 2024-25	\$5,082.5	16%	\$720.50

Unsustainable Medicaid trends due to increases in medical inflation, increases in our benefits, expansion of our coverage programs, outlier trends in certain areas, and outlier increases to our provider reimbursement rates.

Medicaid General Fund cost trends averaged 6% annually (0-11% range) from FY 2015-16 to FY 2018-19, and averaged +19% (12%-26% range) from FY 2021-22 to FY 2024-25.