Medical Services Board (MSB)

Department Updates

HCPF Executive Director Kim Bimestefer

March 14, 2025

Why am I here today?

- Important messaging pivot
- Our timeline to make rules will grow shorter, fueling emergency rules, due to:
  - JBC budget decisions due to CO's fiscal challenges
  - Impact of emerging changes to federal revenue cuts to Medicaid as well as policy mandates
- Let's review the state & fed realities, then discuss what we can do together to best navigate this chapter to achieve needed results within the timing provided, recognizing the importance of the MSB role

Tight state budget and difficult decisions

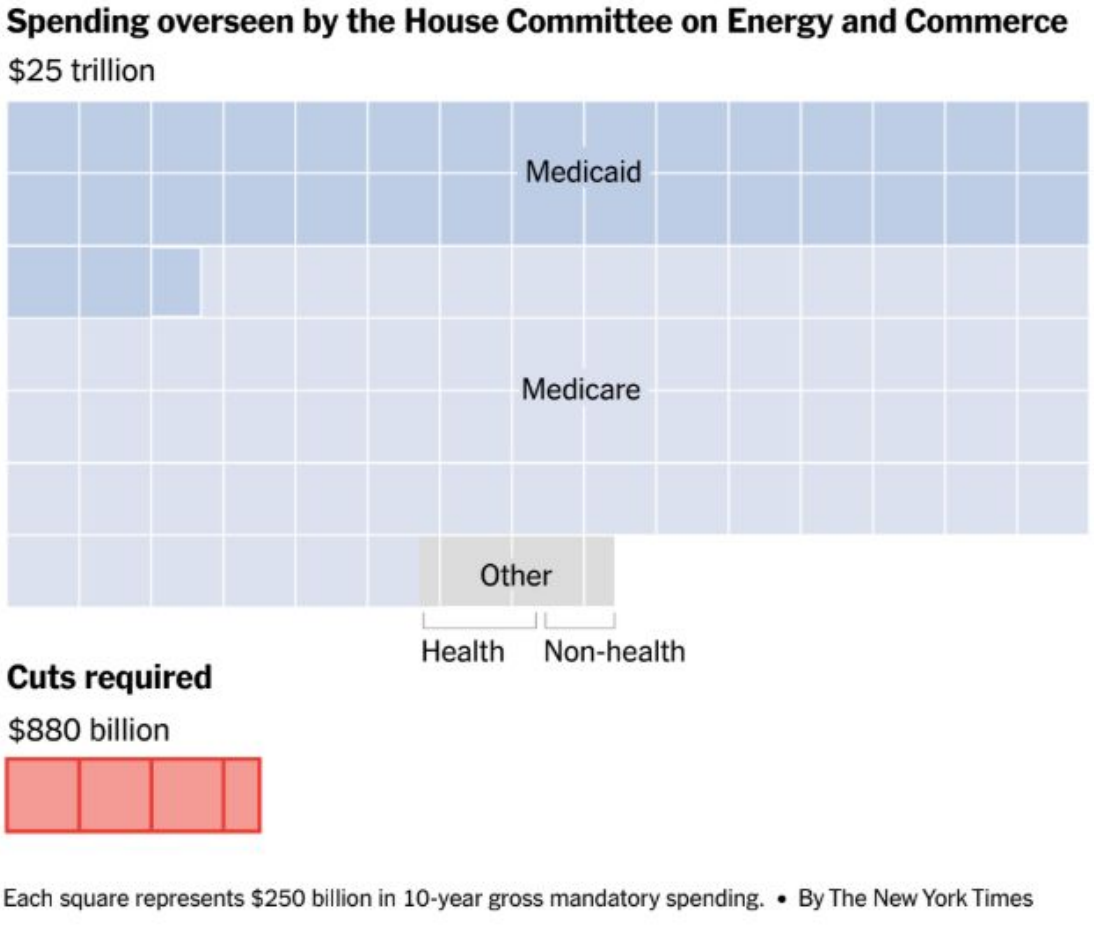
- FY24/25: $16.0B Total Fund, $5.1B General Fund, ~1/3 state budget. 96% pays providers, 4% admin including 0.5% staff.
- Medicaid cost trends growing 7-8% annually, while state revenue grows with standard inflation as required by TABOR, or about 3-4%
  - HCPF asked for $123M more General Fund last year as claims rose higher than budget
  - HCPF asked for $438M more GF with initial Governor's FY 25-26 budget submission
  - We just asked for $114M more for this year and $83M more for next year (BH & LTSS)
- Working with its own experts and stakeholders to identify potential budget reductions to mitigate more draconian cuts. Office of State Planning and Budgeting (OSPB) letter to the JBC to suggested offsets to $114M and $83M additional needs for this and next FY
  - Balancing proposals total $22.8M in FY 2024-25 GF and $132.5M GF in FY 2025-26
- Though HCPF figure setting was this week, JBC is not done with cuts. Budget is not balanced and won't be done until Long Bill is signed.
  - JBC will likely make more reduction decisions impacting our programs in coming weeks
  - JBC considering legislation that could repeal or delay services that have not yet been implemented such as Continuous Eligibility Expansions (ie: for kiddos ages 0-3), Community Health Workers or Equine Services, as well as exploring how to limit the costs of the Cover All Coloradans

Medicaid Sustainability Framework

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

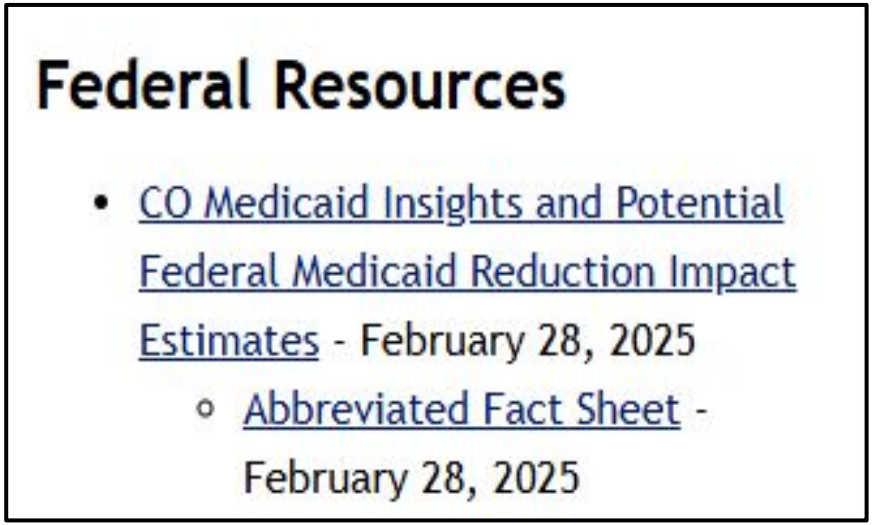
Federal Threats

- Targeted cuts from Energy & Commerce Committee: $880 billion over 10 yrs
- Medicaid is under this committee
- Amount and specifics of cuts are unknown
- House & Senate have to agree on same cuts and then write and pass legislation.



Federal Updates

- We are keeping a close eye on the evolving situation, are preparing, and will continue to communicate.
    - Are you getting communications from me, “At A Glance”?
- Educating on the importance of Medicaid and the impacts federal actions would have on CO
- We have factsheets for use in the Federal Resources box of our Legislator Resource Center



Campaign to educate partners

Federal Resources box of our Legislator Resource Center.

CO Medicaid Insights & Potential Federal Medicaid Reduction Impact Estimates

Updated: February 2025

Congress is preparing bill language to facilitate budget reconciliation- **the current savings target is $880 billion in savings (10 year target).** The most frequently mentioned potential Medicaid reductions, as well as their high level impacts nationally and to Colorado, are estimated below.

Why Colorado Is Unique

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 in our state.

Provision	Colorado Impact (financial and enrollment)
Adding Work Requirements for Medicaid Expansion Population	Current Colorado Affordable Care Act (ACA) Medicaid 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. 11 states were approved for work requirements from 2017-21 but only 2 states implemented them: Arkansas and Georgia. The Congressional Budget Office (CBO) 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.
Elimination of the FMAP Floor	**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% in state FY 26-27.** Specifically, given the current formula in federal law, if the FMAP floor were removed, our federal match is projected to be 41.85% in State Fiscal Year (SFY) 2025-26 and 36.63% in SFY 2026-27. **The Colorado estimated impact would range from -$900M GF (FY 2025-26 estimate) to -$1.5B GF (FY 2026-27 estimate).** 10 states are exactly at floor: CA,CO,CT, MD, MA,NH,NJ,NY,WA,WY

Provision	Colorado Impact (financial and enrollment)
Per Member Caps on Federal Funding	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 (estimated 10 year budget reduction by CBO) by 10, for an annual average = $90.7B. As of January 2025, Colorado Medicaid covered 1,214,424 people while CHP+ covered 92,922 people. Colorado Medicaid's 1.2M covered (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.**
Changes to Provider Fees	Hospitals contributed $1.3B in fees in accordance with CO's federally approved hospital provider fee known as the Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) fee. Hospitals received $1.75B in additional Medicaid payments under the CHASE program, for a net gain of $495M 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 provides funds for 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. 427,000 Coloradans' health coverage was funded by CHASE as of Sept. 2024. In Federal FY 2024, CO Medicaid paid a total of $3.1B in health coverage claims for these Medicaid and CHP+ members, with approximately 31% or $968M paid for hospital care.
Reduce Expansion Population Enhanced Federal Match, 90% to 50%	**Reducing the current 90% match to Colorado's 50% matching rate would translate to over $1B reduction in federal matching funding annually.** 377,019 Coloradans are covered through the expansion population.

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.

Who Medicaid and CHP+ Cover

Nationally Oct. 2024: 79,308,002 people enrolled in Medicaid/CHIP

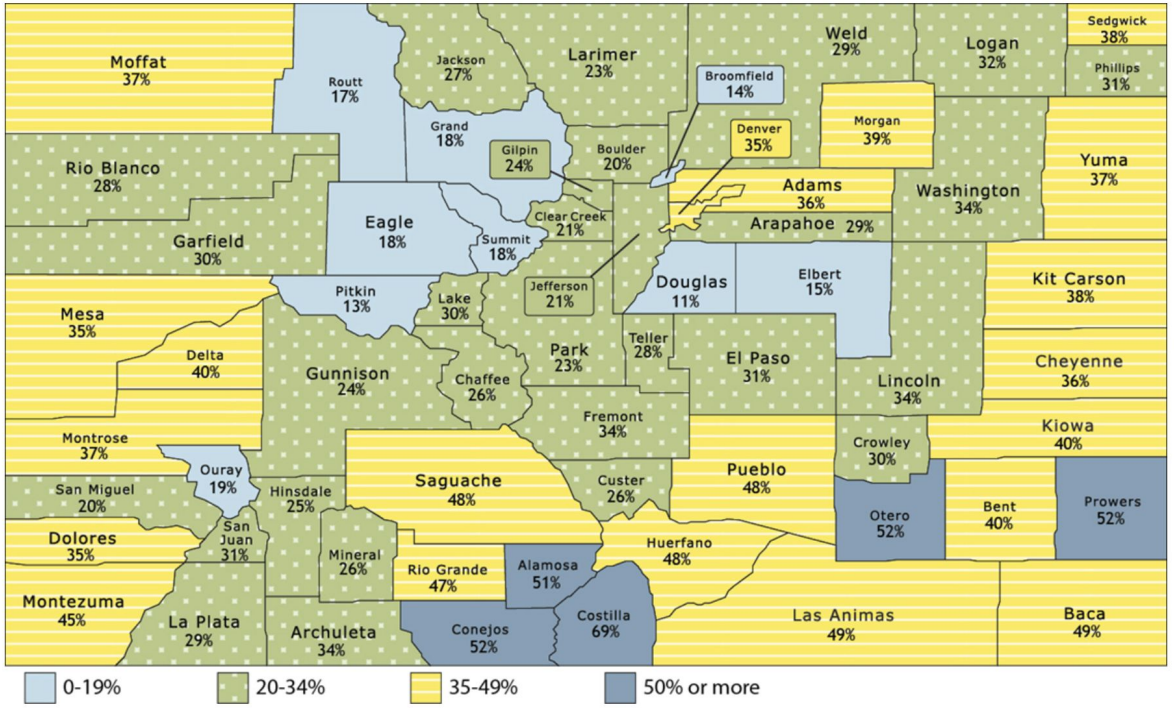
CO Jan. 2025: 1.31 M covered (22% of Coloradans) enrolled in Medicaid, CHP+

- 87% live urban, 14% rural. Rural counties have higher % of pop.

Colorado in 2023:

- 55%: adults ages 19-64
- 39%: children, ages 18 and younger
- 6%: adults age 65 and older
- 44% of births
- 5% of Medicaid members were people with disabilities, but >40% of Medicaid expenditures financed their care

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.

HHS Change, Shortening Planning/Implementation

- Time for HCPF and the state to respond to Federal rule, policy and funding changes may be more challenging due to the recent communication by the U.S. Department of Health and Human Services, indicating that they are rescinding the policy on Public Participation in Rulemaking (Richardson Waiver) and re-aligning the HHS rule-making procedures.
- All this means that the time between HHS/CMS notice to states and implementation is dramatically reduced.
- We are in uncharted waters.

MSB Role Clarity

- ***Thank you*** *for your service. Your role is hard. And it will get harder in this chapter. So, let's ensure clarity of roles - so that all - HCPF, JBC, GA, MSB, etc. - strive for accountability, efficiency, effectiveness in their roles.*
- Rulemaking authority for HCPF's programs
  - But not HCPF governance, administration of programs, monitoring implementation of rules, or stakeholder communication
- MSB can put a rule on the agenda
- No affirmative duty to monitor, address, or respond to stakeholder complaint
- Ex: MSB has authority to pass rules about eligibility requirements for members receiving services, but it does not have the authority to set a budget for a program or selection of a contractor.

Thank you!

The Department truly values
and appreciates you!
We are in this new chapter together.

Questions and Discussion