



Overview: S-08/BA-08 Resources for H.R. 1 Federal Policy Compliance

February 2026

What does this proposal do?

The Department of Health Care Policy and Financing (HCPF) is requesting supplemental resources to begin implementation of the significant changes to Medicaid included in H.R.1 - the One Big Beautiful Bill Act (H.R.1). H.R.1 was signed on July 4, 2025, and some compliance deadlines are aggressive and require implementation to begin in the current fiscal year, FY 2025-26. Additional federal guidance is expected over the coming months and years for implementation of the various Medicaid changes. Implementation resource needs may evolve as federal guidance is received. HCPF will leverage the regular budget process for any future changes and resource needs.

This request includes the resources needed to manage the increased administrative burden required to comply with *specific* H.R.1 programmatic changes, including: work requirements, reduced provider fees, new cost sharing, 6-month eligibility redetermination, eligibility changes for certain immigrants, retroactive coverage modifications, outreach and education. This request does *not* include requests to address the changes to member caseload and services payments or the provider fee reductions included in H.R.1.

Why is this proposal needed?

The new Medicaid provisions take effect over the next several years, impacting eligibility criteria and the administration of programs. This supplemental budget request and budget amendment (S/BA-08) address the Department's need to increase both its administrative personnel and systems to handle the administrative burden associated with beginning implementation of H.R.1. The specific changes requiring new administrative support include:

- **New Medicaid Work Requirements** - This new requirement for Medicaid will require significant member communications, partner and stakeholder engagement, eligibility worker training and system changes to comply with federal guidance. The request is based on preliminary guidance, final guidance is expected in June 2026 for a January 2027 implementation.



- **Provider Fee Updates** - H.R. 1 changes the way states can leverage provider fees. Provider fees fund coverage for more than 420,000 Coloradans: coverage in the Medicaid Buy-In Programs for Individuals with Disabilities, CHP+ program for kids and pregnant women, and adults without disabilities covered through the Affordable Care Act expansion. Provider fees support hospitals through reductions in uncompensated care and supplemental payments. H.R. 1 could result in up to \$2 billion in lost federal funding to Colorado when fully implemented. Implementation of the changes start in FFY 2028, which begins October 2027.
- **6-Month Eligibility Redetermination** - H.R.1 requires HCPF to determine eligibility for certain members every six months, doubling the amount of renewals and driving administrative burden for members and eligibility workers. This request includes additional county administrative funding to support the increased workload. HCPF is exploring ways to automate as much of the work as possible to reduce the administrative burden, but federal guidance will dictate what will be allowed.
- **Eligibility Changes for Certain Immigrants** - Systems updates are required, as well as additional noticing, to comply with changes to eligibility for certain immigrants. This change is effective in October 2026.
- **Modifications to Retroactive Coverage** - Retroactive coverage allows, in certain circumstances, individuals to “backdate” coverage by *three* months to cover a hospital stay or other medical expense before they applied for coverage. H.R. 1 reduces the allowed “backdating” to *one* month for adults without disabilities and cuts it to *two* months for individuals with disabilities, kids and some parents.
- **Fraud, Waste and Abuse Provisions** - H.R. 1 includes changes to how states monitor and act upon fraud, waste and abuse (FWA) within the program. Colorado Medicaid is already doing many of the best practices outlined in the bill, but must enhance and increase monitoring and oversight activities to avoid federal clawbacks. For example, H.R. 1 includes significant penalties for states related to Medicaid Payment Error Rate Measure (PERM) audits that CMS conducts every three years. Whereas CMS previously allowed states to submit corrective action plans for error rate above a cap of 3%, now they will initiate substantial clawbacks for any amount over 3%. Based on 2024-25 figures, CMS would clawback nearly \$10M for every .1% that Colorado Medicaid is over the 3% error cap. This and other FWA requirements necessitate additional resources to ensure the Department is able to implement administrative changes and increased oversight to eliminate or mitigate risk of clawbacks and being out of compliance.

How does this proposal build upon lessons learned from the PHE unwind?

This proposal includes requests for additional outreach resources. The additional outreach is built upon lessons learned from the PHE. Members shared feedback that they expected to be outreached by trusted messengers in multiple modalities and “just in time” to perform the needed action. This outreach campaign required creation of toolkits in partnership with stakeholders, coordination with

health plans and providers, as well as setting up new processes in Department-owned systems (Salesforce, PEAK) to deliver additional text messages and notifications. During the PHE unwind, we identified needs for additional funding for toolkit development, translation, printing, and implementing system improvements to outreach members. Other needs included dedicated staff support for planning webinars, meeting with stakeholders, and managing contracts.

What are the consequences if this proposal is not approved?

If this proposal is not approved, HCPF will not have adequate resources to implement H.R.1. If HCPF does not implement the H.R 1 requirements, Colorado's Medicaid program could be subject to significant federal clawbacks and disallowances.

The Medicaid provisions in H.R. 1 are designed to save the federal government money and were included in the bill as a "pay for" for other parts of the bill. The new federal law limits state's ability to leverage financing mechanisms such as provider fees and state directed payments, and adds new administrative requirements for gaining and maintaining coverage for certain populations, such as adults without disabilities covered through the Medicaid expansion - about 377,000 individuals in Colorado. Complying with the new law will drive administrative costs. This request is based on what is known at this time and could evolve as more federal guidance and compliance requirements are issued.

What is included and what are the fiscal impacts?

System Change Funding: The resource requested in S-08/BA-08 Resources for Federal Policy Compliance demonstrates how Colorado intends to pursue a phased, **multi-year buildout of a fully automated ex parte eligibility determination system**. Given the evolving federal policy environment, the Department is designing a flexible implementation approach. Should future federal guidance alter our work requirements implementation, the Minimum Viable Product (MVP) ensures baseline compliance by January 2027, while the phased investment in automation and verification can be adapted accordingly. The Department expects that the full implementation will take two to three years to completely meet the requirements that States must use ex parte processes and third-party data sources to reduce member burden.

This request is focused on the funding with no General Fund increase for both the MVP and the phased investment in automation and verification. The MVP is within our existing eligibility system infrastructure that enables accurate eligibility redetermination for the impacted population using available data sources, manual entry, and standardized forms that allow a member to self-attest and document compliance that they are exempt or meet the work requirements. In addition, existing Intelligent Optical Character Recognition (iOCR) technology that will scan a member's documentation and provide CBMS auto adjudication (no or limited manual intervention) when appropriate.

Colorado Benefits Management System (CBMS): This includes the initial system changes required to the CBMS and PEAK systems, and 15,000 new pool hours per year for 3 years will be required for interfaces and system changes over time.

Medicaid Enterprise Systems (MES): Funding to support staff augmentation and data integrations across the different HCPF systems.

Other Resources for Compliance, Member Outreach and County Administration

Staff augmentation, contractor and other administrative funding is included in S-08/BA-08 for communications, outreach campaigns, increased mailing costs, appeals support staff, fraud/waste/abuse monitoring and compliance with the new H.R. 1 requirements.

County Administration: The Department anticipates that additional county administration funding will be needed in FY 2026-27 and FY 2027-28. Starting in FY 2028-29, the Department assumes that, if approved, implementation of shared services from its FY 2026-27 R-07 Driving Efficiencies in Benefit Services Delivery - Shared Services budget request will be fully implemented. Along with increased automation through the technology investments, this proposal would offset the need for higher levels of staff at the counties, as many administrative functions would now be managed through the shared services overseen by the State. Any eligibility staff counties may choose to retain past this time period may be paid for by cost savings counties see from the implementation of shared services.

The full narrative and additional details about the funding request are available at <https://hcpf.colorado.gov/budget>. Overviews and Fact Sheets are found at <https://hcpf.colorado.gov/legislator>.

FY 2025-26 Budget Impact: \$5,366,498 million total funds, \$58,458 General Fund, 4.0 FTE

FY 2026-27 Budget Impact: \$46,206,882 million total funds, including \$886,331 million General Fund and 15 FTE.

For more information, contact:

Jo Donlin, HCPF Legislative Liaison, 720.610.7795, jo.donlin@state.co.us