CHASE Board Meeting

September 2, 2025

Nancy Dolson
Department of Health Care Policy & Financing (HCPF)

CHASE
Colorado Healthcare Affordability and Sustainability Enterprise

Our Mission

Improving health care equity, access and outcomes for the people we serve while saving Coloradans money on health care and driving value for Colorado.

Agenda

Today's Agenda

- Call to Order & Introductions
- Approve Minutes from June 24th meeting
- HCPF Updates
- CHASE Cash Fund & Proposed Revised CHASE 2024-25 Model
- Public Comment
- Board Action: Proposed Revised CHASE 2024-25 Model
- Adjourn

HCPF Updates

HCPF Updates, 1 of 5

- Nancy Dolson new role as Budget Director
  - Special Financing Division Director position posted
  - Bettina Schneider, CFO, Interim Special Financing Division Director
  - Jeff Wittreich, Provider Fee Section Manager, staff CHASE Board
- State Directed Payment Preprint and Fee Waiver under CMS review
  - CMS questions on fee waiver (confirming definitions, standard hold harmless assurance)
  - No official questions on SDP Preprint

HCPF Updates, 2 of 5

- UCHealth settlement agreement reached
  - Beginning FFY 2024-25, Poudre Valley and Memorial Hospital in private owned and operated upper payment limit (UPL) group
  - CHASE model and supporting data to CHA at least 4 weeks before CHASE Board meeting; shared with Board and hospitals at least 2 weeks prior to Board meeting

HCPF Updates, 3 of 5

- H.R. 1 OBBBA Provisions
  - SDPs: legacy SDPs capped at aggregated amounts using Avg. Commercial Rate ceiling until Jan. 2028, then 10% annual reduction until Medicare rate parity
  - Medicaid Provider Fees
    - Capped at % of net patient revenue established as of bill enactment (CHASE = 6% NPR)
    - Beginning Oct. 2027 (FFY 2027-28), 0.5% reductions annually until 3.5% in FFY 2031-32 (approximately -$2.5B annual loss of federal funds for CHASE)

HCPF Updates, 4 of 5

H.R. 1: Rural Health Transformation Program

$50B in Federal Funding available

$10B/yr x 5yrs
FFY 2026-2030

- **Application:** One-time state submission due early Nov. 2025, with a Rural Health Transformation Plan (8 required topics) + certification no dollars will fund the state match
- **Implementation Date:** Disbursements to approved states expected by early 2026
- **Estimated Impact:** Increased federal funding for targeted projects. 50% "base" pot - divided equally among all approved states, while the other 50% is targeted toward “not less than ¼ of approved states”

HCPF Updates, 5 of 5

- On Aug. 28, 2025, Governor Polis signed Executive Order D25 014 that reduces General Fund expenditures to bring Colorado's budget into balance for the current fiscal year, State Fiscal Year 2025-26 (FY 2025-26)
- HCPF reductions of $79.1 million General Fund include rolling back 1.6% provider rate increase
- See Governor's Budget Director's letter and slides presented to the Joint Budget Committee on Aug. 28th for more information

Proposed FFY 2024-25 CHASE Fees and Payments

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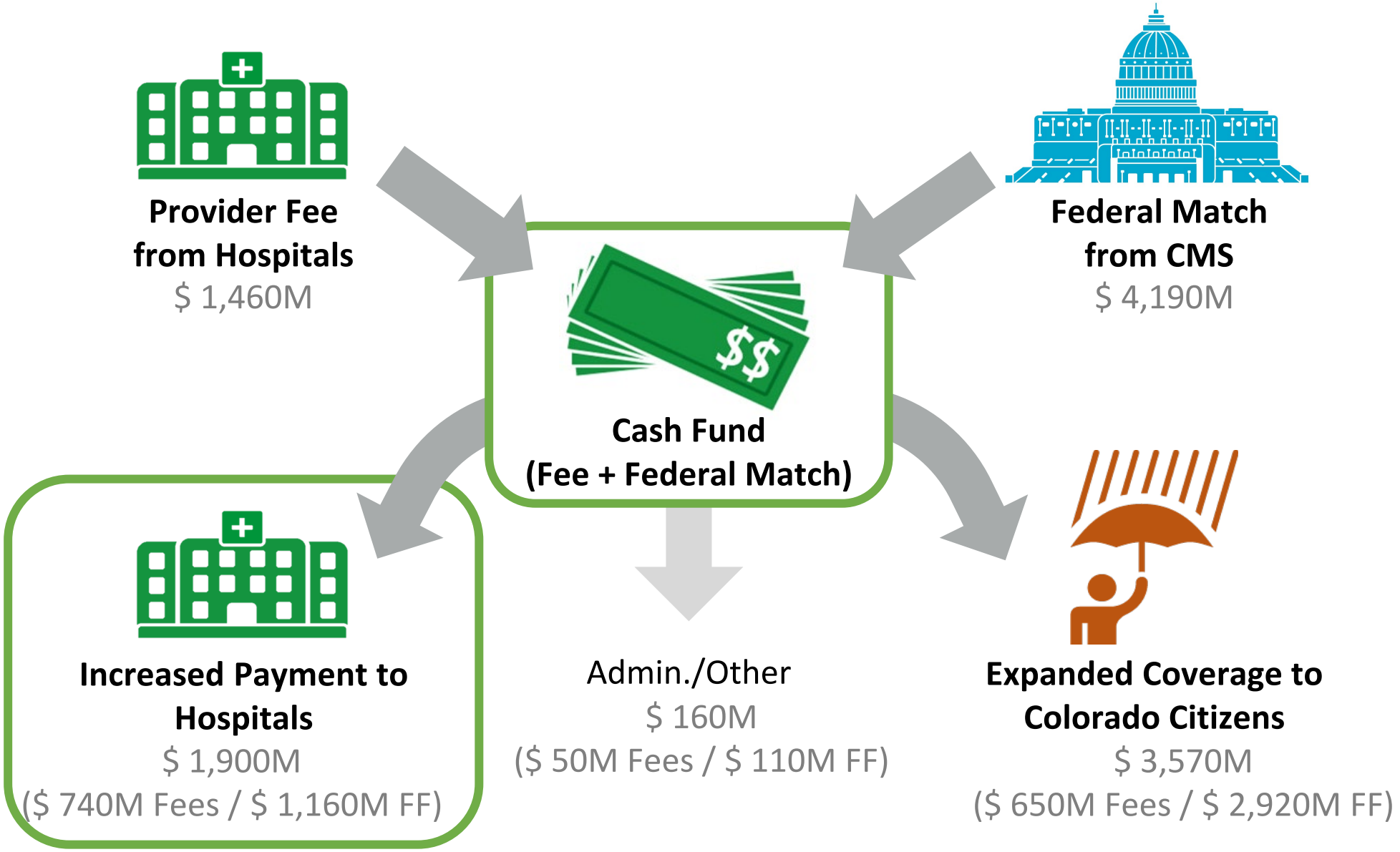
Proposed 2024-25 Model

- HCPF and UCHealth reached a settlement agreement
  - Poudre Valley Hospital and Memorial Hospital moved from Non-State Public UPL group to Private UPL group
- 6% NPR limit calculation now includes all hospitals, per CMS guidance
- $71M above 1.5% FFY 2023-24 Cash Fund refunded
- Revisions to Inpatient and Outpatient adjustment factors to
  - Minimize the impact on Non-State Public UPL hospitals
  - Avoid large negative impacts on Private UPL hospitals
- One-time recommended UPL funding targets change
- One-time reduction in cash fund reserve to 0.9%

FFY 2024-25 Fees & Payments

- FFY 24-25 CHASE Adjustment Group Definitions
- FFY 24-25 CHASE Financial Statements
- FFY 24-25 CHASE Group Net Reimbursement
- FFY 24-25 CHASE Hospital UPL and Adjustment Group
- FFY 24-25 CHASE Hospital Net Reimbursement
- FFY 24-25 CHASE Model Limits (UPL & NPR)
- FFY 24-25 CHASE Overview



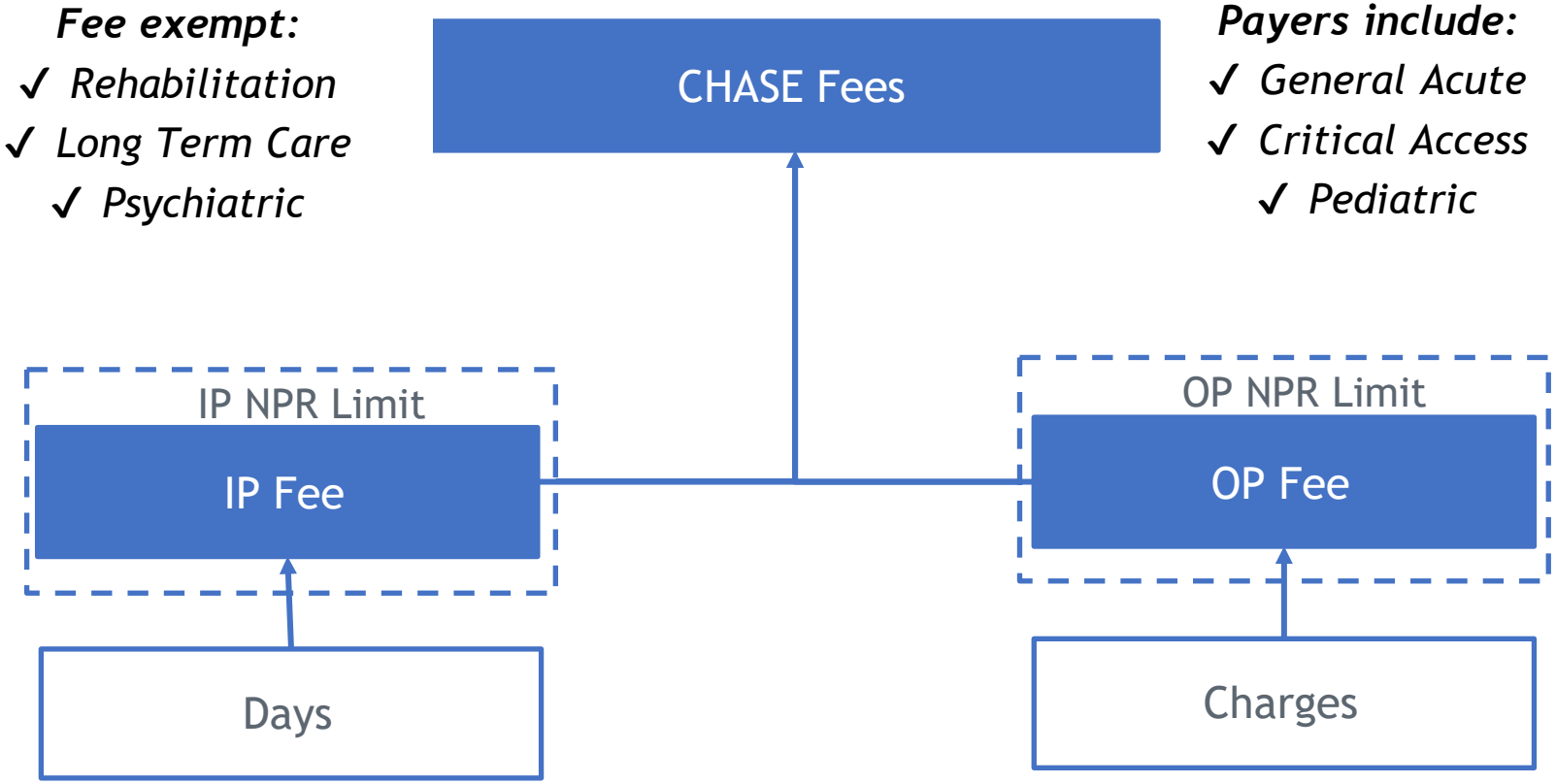
Amounts may not equal due to rounding

Fees and Payments Overview

- **$1.46 billion in fees (12.7% increase)**
  - At 6.00% NPR (100% of maximum fees) including all hospitals
- **Total federal funds: $4.2 billion, 340% return on fees**
- **$1.90 billion in hospital supplemental payments (8.5% increase)**
  - Including $127 million in quality incentive payments
  - **$71 million in Cash Fund reserve refund**
  - **$555 million in net reimbursement (supplemental payments + Cash Fund reserve refunds - provider fees) (12.1% increase)**

Inpatient (IP) & Outpatient (OP) Fees

Fee exempt:
- ✓ *Rehabilitation*
- ✓ *Long Term Care*
- ✓ *Psychiatric*



Payers include:
- ✓ *General Acute*
- ✓ *Critical Access*
- ✓ *Pediatric*

Inpatient & Outpatient Fees

- Methodology and discounts per CMS approval of broad-based and uniform fee requirements waiver
- Inpatient fee assessed on managed care and non-managed care days
  - **Inpatient Fee - $603 million**
    - - Per non-managed care day: $ 521.40
    - - Per managed care day: $ 116.64
- Outpatient fee assess on percentage of total outpatient charges
  - **Outpatient Fee - $817 million**
    - - Percentage of total charges: 1.6940%
- High Volume and Essential Access hospitals pay discounted fees
- Psychiatric, long-term care, and rehabilitation hospitals are fee exempt

Cash Fund Reserve

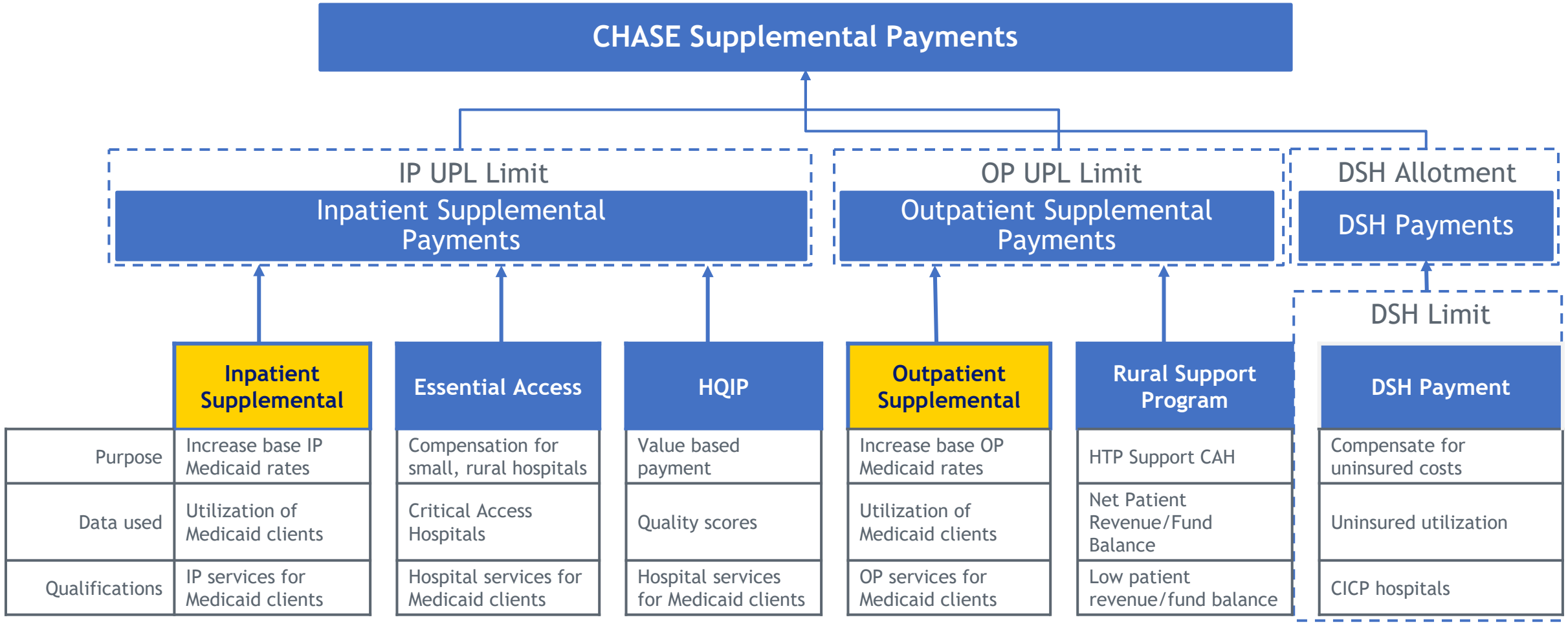
- Cash Fund reserve required for:
  - Federally required three-day draw pattern
  - Variations between estimated and actual payments for expansion populations
- § 24-75-402, C.R.S., establishes 16.5% (two months' expenses) as cash fund maximum (enterprises excluded; can have higher reserves)
- Cash Fund reserve 1.5% of total CHASE expenditures as recommended by the CHASE Board in 2022
  - FFY 23-24 Cash Fund ending balance equal to $155.7M
  - $71M reserve refund to hospitals reduces balance to 1.5% Cash Fund reserve limit
- For FFY 2024-25, 1.5% Cash Fund reserve equal to $84.7M
  - Recommend one time reduction of reserve to 0.9%, using $34.9M from cash fund for FFY 2024-25 expenditures

Cash Fund Reserve FFY 2024-25

- FFY 2024-25 Cash Fund Estimate

Row	Description	Amount	Note
A	FFY 23-24 Ending Fund Balance	$155,700,000	
B	Cash Fund Use	$ (34,900,000)	
C	Fee Refund	$ (71,000,000)	
D	Remaining Cash Fund	$ 49,800,000	Row A + Row B + Row C
E	Cash Fund Reserve Percentage	0.9%	Row D / $5,645M
F	Reserve Shortfall	$ 34,900,000	Row A + Row C - Row D

Supplemental Payments



UPL Supplemental Payments

- Inpatient UPL
  - Inpatient Supplemental Payment†
  - Essential Access (EA) Payment
    - Lump sum payments directed to Critical Access/rural hospitals with 25 or fewer beds
  - Hospital Quality Incentive Payment (HQIP)
    - Amount set by statute
    - Payments determined by quality metrics and scoring methodology approved by CHASE Board
- Outpatient UPL
  - Outpatient Supplemental Payment†
  - Rural Support Program (RSP)
    - Fixed amount for for 23 qualified hospitals

†Adjustment factors apply

Essential Access Supplemental Payment

- Reimbursement to rural and Critical Access hospitals with 25 or fewer beds
- **Total supplemental payment: $26 million**
- Payment calculation = $26 million / total number of Essential Access hospitals

Rural Support Supplemental Payment

- Reimbursement to rural and Critical Access Hospitals (CAH) that meet revenue and fund balance requirements:
  - ➢Must be a nonprofit hospital AND
  - ➢Must fall within bottom 10% NPR of rural or CAH OR
  - ➢Must fall within bottom 25% fund balance of rural or CAH
- **Total supplemental payment: $12 million**
- Payment calculation = $12 million / 23 qualified hospitals
- Each qualified hospital required to submit application showing the funds will be used to implement initiative that enables success in the Hospital Transformation Program (HTP)

HQIP Supplemental Payment

- Reimbursement to hospitals providing services that improve health care outcomes
- **Total supplemental payment: $127 million**
- Payment Calculation = normalized awarded points * Medicaid adjusted discharges * dollars per adjusted discharge point
- Quality measures and payment methodology approved by the CHASE Board

HQIP Tier	Lower Bound	Upper Bound	Dollar per Adjusted Discharge Point	Count
0	0	19	$ -	19
1	20	39	$ 1.87	5
2	40	59	$ 3.74	3
3	60	79	$ 5.61	12
4	80	100	$ 7.48	61

Inpatient Supplemental Payment

- Increased reimbursement for inpatient Medicaid utilization
- **Total supplemental payment: $838 million**
- Payment calculation = Medicaid non-managed care patient days * inpatient adjustment factor
- Allows for greater variation in reimbursement due to changing Medicaid utilization

Outpatient Supplemental Payment

- Increased reimbursement for outpatient hospitals services for Medicaid members
- **Total supplemental payment: $635 million**
- Payment calculation = Estimated Medicaid Outpatient Costs * Outpatient adjustment factor

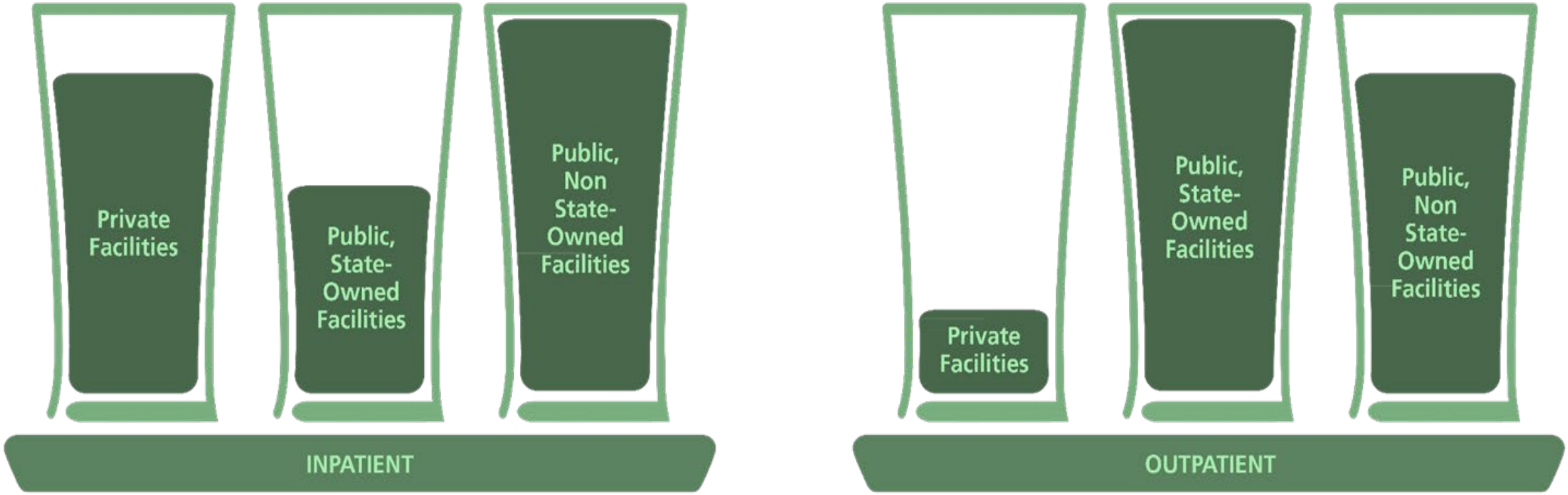
Adjustment Factors Overview

- Purpose
  - Maximize hospitals benefiting from fee and minimize losses
  - Tied to Medicaid utilization and higher cost service needs of Medicaid population (e.g., NICU level III, teaching hospitals, pediatric speciality, CAH)
  - Reach targeted UPL percentage for each UPL pool
- History
  - Since inception of original hospital provider fee in 2009-10, different supplemental payments and/or adjustment factors to maximum benefits and minimize losses

Adjustment Factors

FFY 24-25 Inpatient & Outpatient Adjustment Factors				
Adjustment Group	**UPL Category**	**Percent of Hospitals**	**Inpatient Adjustment Factor**	**Outpatient Adjustment Factor**
Rehabilitation or LTAC	All	15%	$20.00	16.10%
State Government Teaching Hospital	State Gov.	1%	$781.96	49.75%
Non-State Government Teaching Hospital	Non-State Gov.	1%	$0.00	0.00%
Non-State Government Rural or CAH	Non-State Gov.	28%	$2,672.30	82.59%
Non-State Government Hospital	Non-State Gov.	2%	$0.00	0.00%
Private Rural or CAH	Private	15%	$740.00	120.00%
Private Heart Institute Hospital	Private	1%	$1,458.00	15.00%
Private Pediatric Specialty Hospital	Private	2%	$720.00	5.00%
Private High Medicaid Utilization Hospital	Private	3%	$850.00	70.00%
Private NICU Hospital	Private	12%	$1,995.50	77.10%
Private Independent Metropolitan Hospital	Private	2%	$555.00	163.75%
Private Safety Net Metropolitan Hospitals	Private	1%	$555.00	163.75%
Private Sole Community Hospitals	Private	1%	$3,390.00	130.00%
Private Hospital	Private	17%	$808.00	19.40%

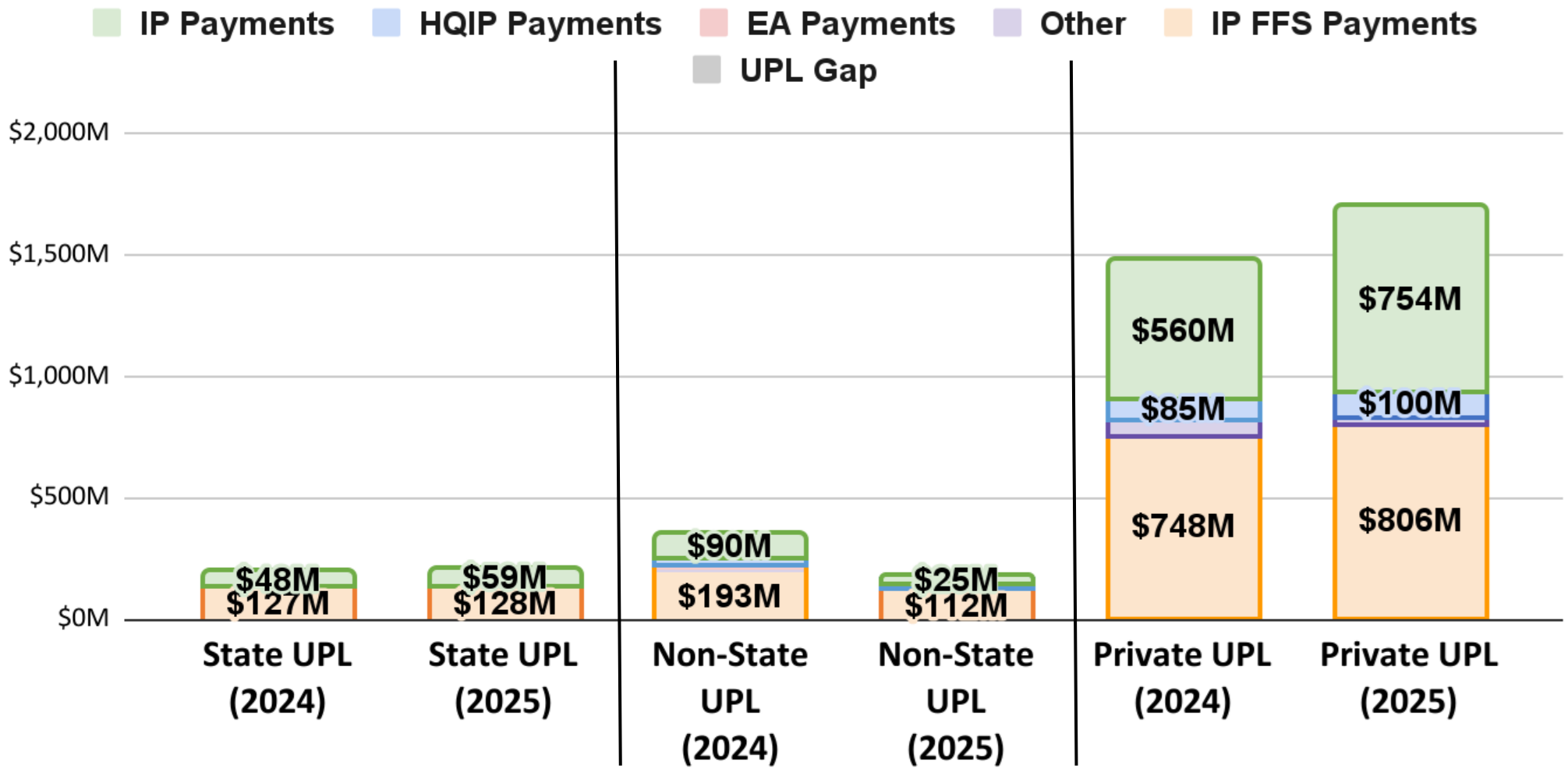
UPL Pools


Private Facilities
Public, State-Owned Facilities
Public, Non State-Owned Facilities
INPATIENT
Private Facilities
Public, State-Owned Facilities
Public, Non State-Owned Facilities
OUTPATIENT

UPL Pools

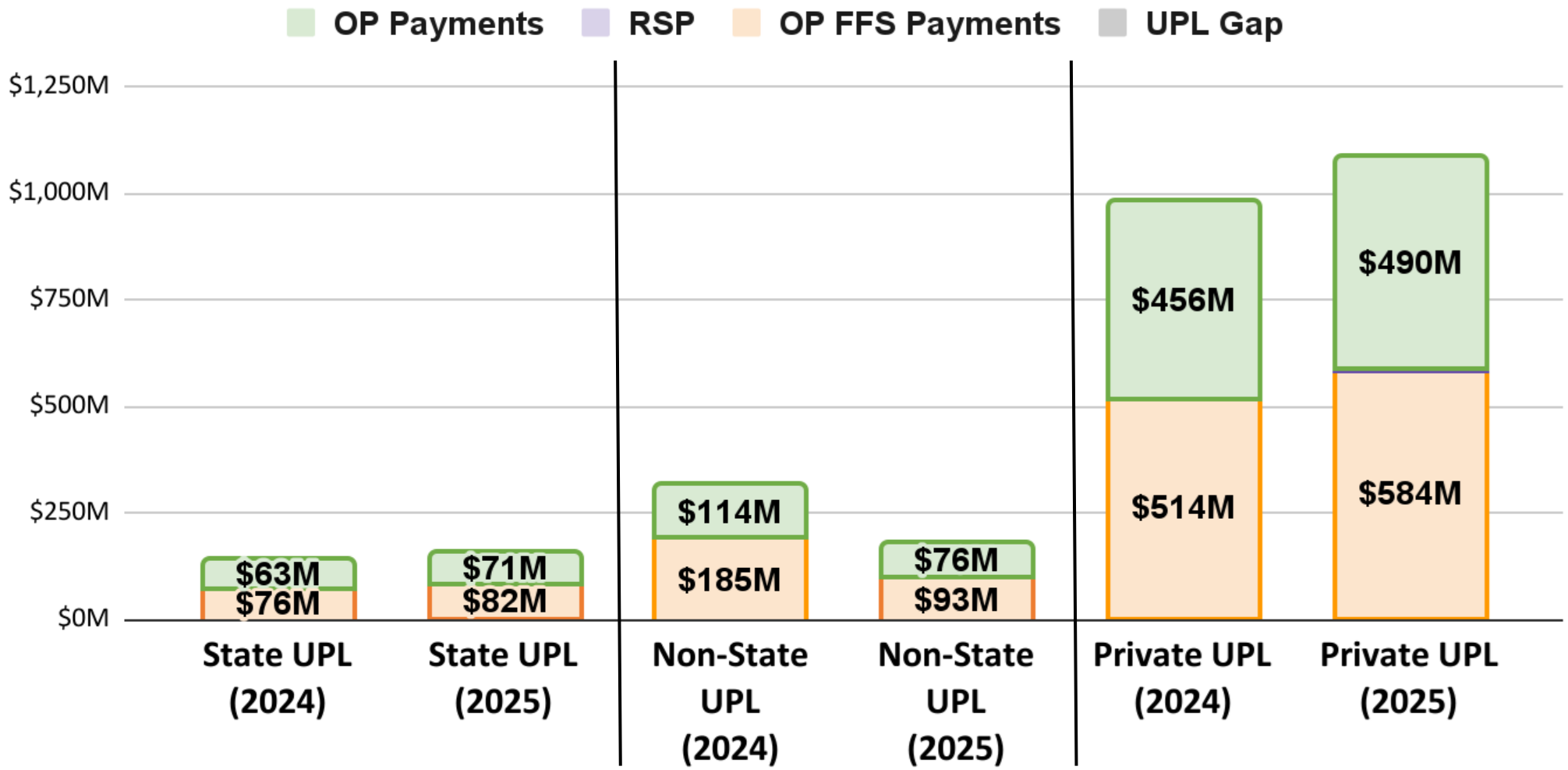
UPL Pool	Inpatient UPL	Outpatient UPL
State Gov.	94.47%	94.46%
Non-State Gov.	100.00%	100.00%
Private	99.50%	99.50%

Annual Change in Inpatient (IP) UPL Pools



	State UPL (2024)	State UPL (2025)	Non-State UPL (2024)	Non-State UPL (2025)	Private UPL (2024)	Private UPL (2025)
% of UPL	99.25%	97.47%	99.25%	100.00%	99.25%	99.50%

Annual Change in Outpatient (OP) UPL Pools



	State UPL (2024)	State UPL (2025)	Non-State UPL (2024)	Non-State UPL (2025)	Private UPL (2024)	Private UPL (2025)
% of UPL	99.25%	97.47%	99.25%	100.00%	99.25%	99.50%

DSH Supplemental Payment

- Reimbursement to hospitals serving disproportionate share of Medicaid members and uninsured patients
- **Total supplemental payment: $265 million**
- Most hospital DSH payments capped at 96% of estimated hospital-specific DSH limit
  - High uninsured cost hospital DSH payment equals 90% of their estimated DSH limit
  - State Teaching hospital DSH payment equals 96% of their estimated DSH limit
  - Critical Access hospital DSH payment equals 100% of their estimated DSH limit
  - Small independent metropolitan hospital DSH payment equals 40% of their estimated DSH limit
  - Low Medicaid Inpatient utilization rate (MIUR) hospital DSH payment limited to 20% of their estimated DSH limit

Public Comment

Board Action

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Next Steps

Next Steps

- Medical Services Board present emergency rules
  - September 12th, 9 a.m. Medical Services Board hearing
- Letters to hospitals by close of business tomorrow, Sept. 3rd
  - **Revised September transaction date is Friday, Sept. 26th**
- Next meeting: October 28, 2025 at 3:00pm

Thank You

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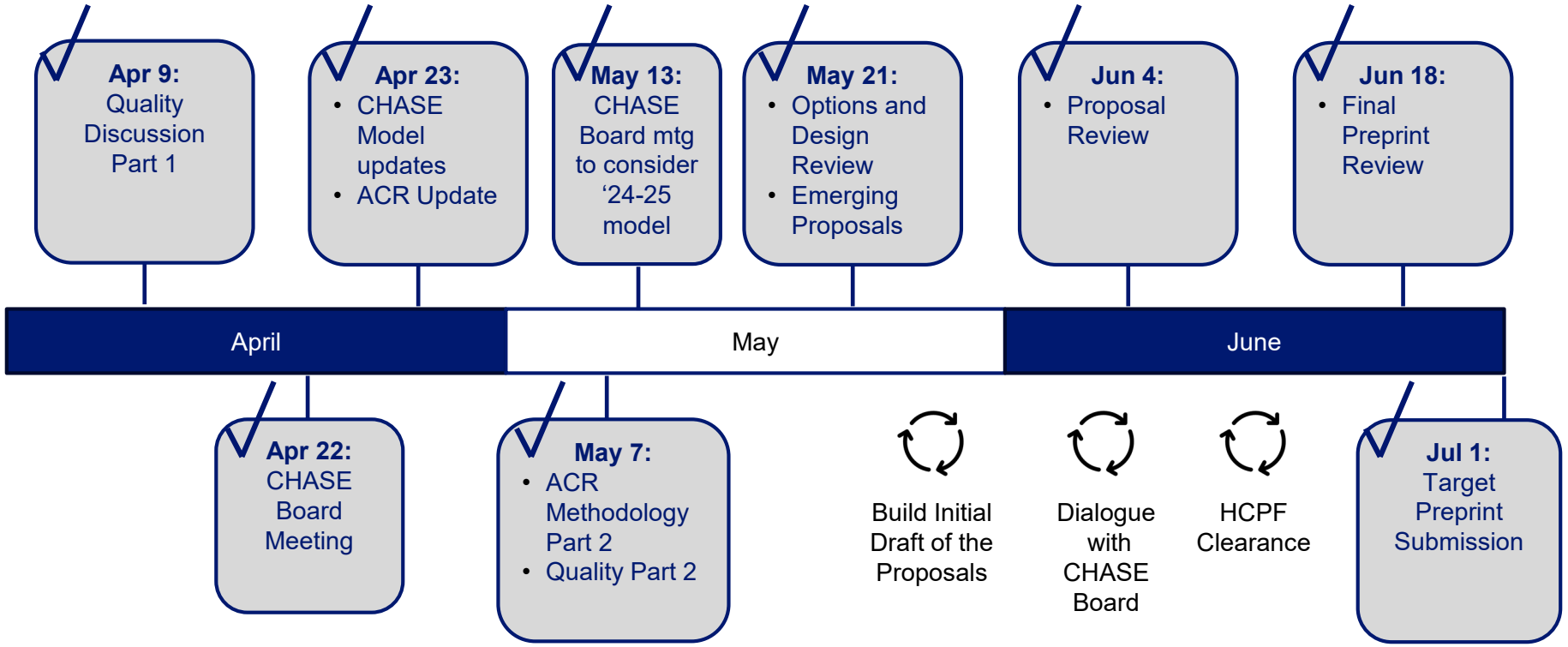
Appendix

State Directed Payments

- State Directed Payments program proposal approved by CHASE Board
- Preprint and provider fee waiver submitted to CMS
- Currently under CMS review



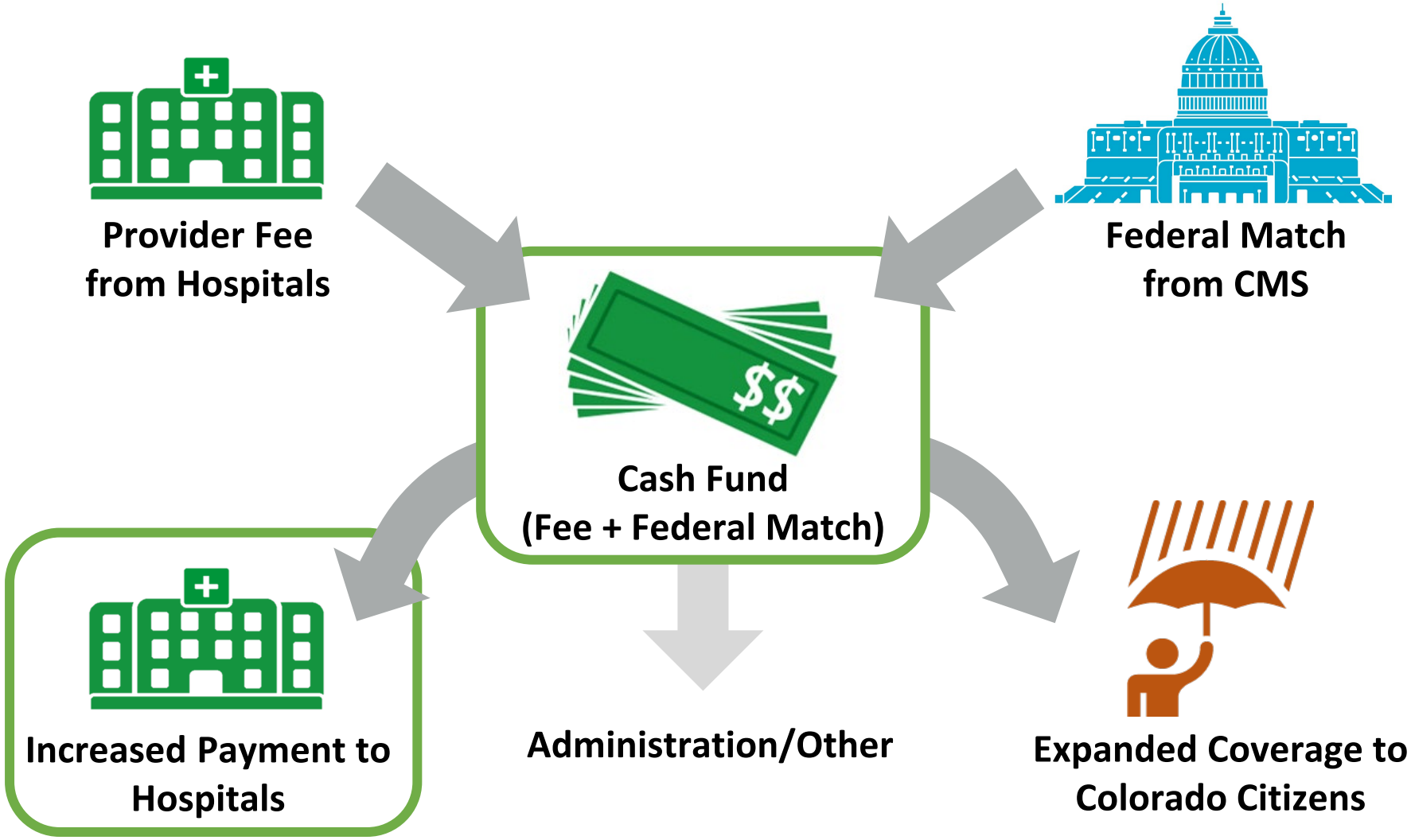
CHASE is a Win, Win, Win

	Benefits to Hospitals	*Benefits to Coloradans*
1. Increases reimbursement to Medicaid hospitals	*Reduced uncompensated care costs*	*Reduced need to shift costs to other payers like commercial insurance,* ***lowering the cost of care****.*
2. Funds coverage for 425,000+ Medicaid & Child Health Plan *Plus* (CHP+) expansion members	*Fewer uninsured = reduced uncompensated care costs*	***Access and low cost of care*** *for low-income Coloradans*
3. Hospital Quality Incentive Payments (HQIP) & Hospital Transformation Program (HTP)	*Earn funding for improved quality of hospital care*	***Better outcomes*** *through care redesign and integration of care across settings. Quality incentive payments targeting* ***equity*** *and* ***outcomes***

- No General Fund
- Low administrative costs

CHASE Purpose

- CHASE is a government-owned business within HCPF
- CHASE charges and collects healthcare affordability and sustainability (HAS) fees to obtain federal matching funds to provide business services to hospitals:
  - Increase hospital reimbursement for care provided to Medicaid members and through Disproportionate Share Hospital (DSH) payments
  - Fund Hospital Quality Incentive Payments (HQIP)
  - Fund and implement the Hospital Transformation Program (HTP)
  - Increase the number of Coloradans eligible for Medicaid and Child Health Plan *Plus* (CHP+) coverage
  - Pay the enterprise's administrative costs limited to 3% of expenditures
  - Any additional business services to hospitals outlined in statute


Provider Fee
from Hospitals
Federal Match
from CMS
Cash Fund
(Fee + Federal Match)
Increased Payment to
Hospitals
Administration/Other
Expanded Coverage to
Colorado Citizens

CHASE Authorities

- **General Assembly** appropriates healthcare affordability and sustainability (HAS) fee and federal funds through budget (Joint Budget Committee) and legislative processes
- **HCPF** single state agency for administration of Colorado's Medicaid program and authorized to draw federal Medicaid funds
- **CHASE Board** recommending body for CHASE to HCPF and the Medical Services Board
  - Recommends HAS fee, hospital payments including Quality Incentive Payments, Hospital Transformation Program, and approach to implementing coverage expansions
  - Also monitors impact of HAS fee on health care market, prepares annual CHASE legislative report, and any other duties to fulfill its charge

CHASE Authorities, continued

- **Medical Services Board**
  - Promulgates rules for HAS fees with consideration of CHASE Board's recommendations
  - 10 CCR 2505-10, § 8.3000, et seq
- **Centers for Medicare and Medicaid Services (CMS)** ultimate authority for CHASE
  - Approval of CHASE provider fees, hospital payments, and Upper Payment Limits (UPL), etc. and oversight of federal Medicaid funds

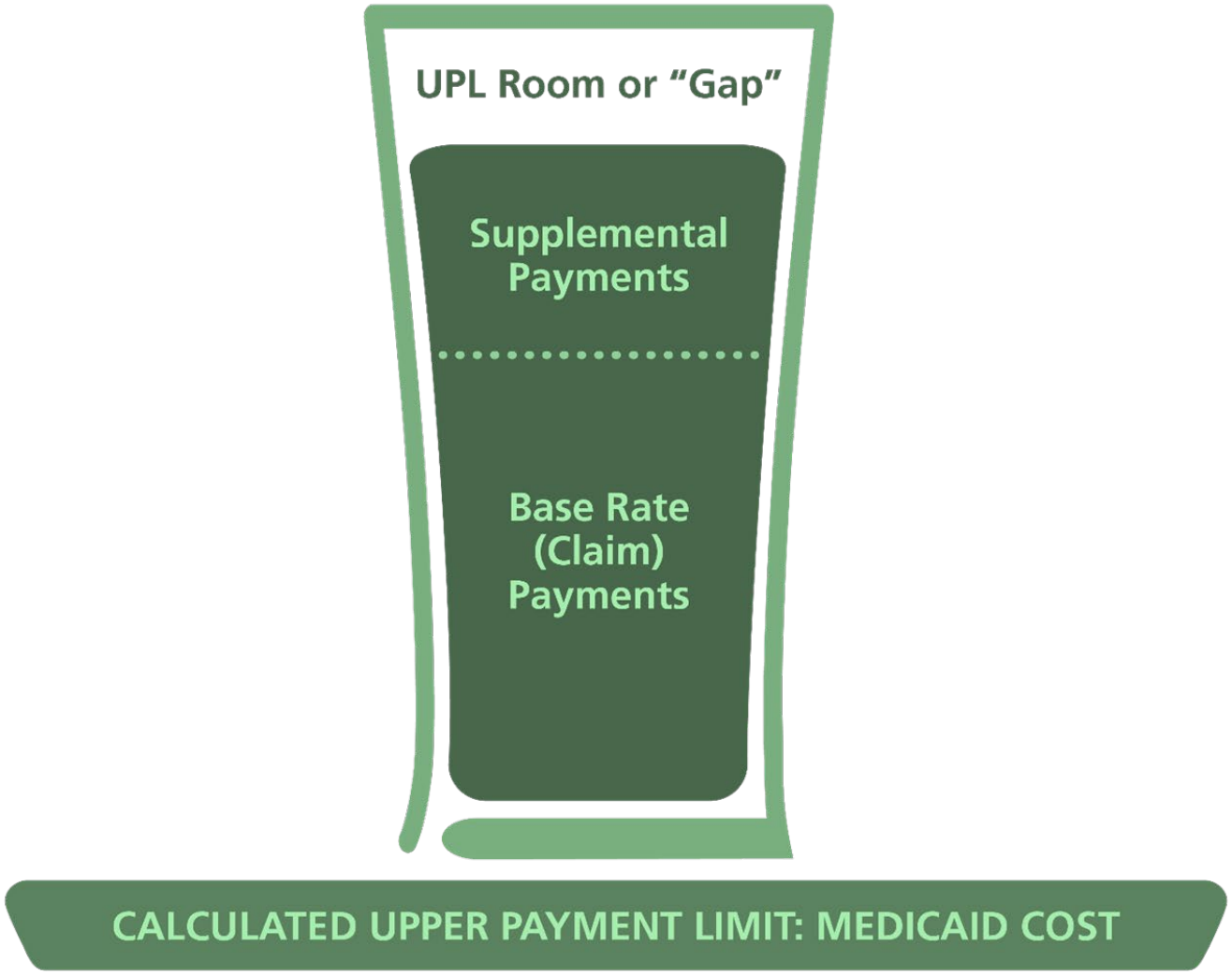
CHASE Goals

- **HCPF** and the **CHASE Board** seek to meet the goals of the CHASE statute including
  - Maximize reimbursement to hospitals for care for Medicaid members subject to federal requirements
  - Increase the number of hospitals benefitting from the CHASE fee and minimize those hospitals that suffer losses

CHASE Model Work

- Expansion and administration costs from Feb. budget forecast
- Calculate NPR, UPLs
- DSH allotment from CMS
- Essential Access, HQIP, Rural Support Fund payments
- Inpatient and Outpatient UPL payments
- Hospital specific DSH limits for DSH-eligible hospitals
- Calculate fees based on approved methodology and NPR limit

Upper Payment Limit (UPL)



CHASE Expansion Trend Drivers

- Medicaid Disabled Buy-In 34% increase in caseload and higher cost in acute care services, such as physician, pharmacy, and dental.
- Low-income adults [Affordable Care Act (ACA) expansion] costs increasing 2% due to higher per capita costs driven by higher acuity than those disenrolled. Biggest cost increases:
  - Dental services had significant targeted rate increases in FY 2024-25
  - Managed Care Organization (MCO) rates: large payments in July 2024 to true up the rates paid in FY 2023-24 in order to reflect the higher acuity of the population. The FY 2024-25 rates are higher than those set in FY 2023-24.

CHASE Expansion Trend Drivers, continued

- Behavioral Health
  - Capitation rates grew significantly year-over-year due to the rising acuity of the population and service expansions (38 bills since 2017 expanding services)
  - Capitation rates for disabled buy-in increased by 29%, for expansion parents increased by 48%, and for low-income ACA adults increased by 65% compared to the rates originally set in SFY 2023-24
- CHP+
  - Rapid growth since the end of the COVID-19 public health emergency (PHE). We are projecting enrollment growth of 14% in expansion children and 17% in expansion prenatal
  - Capitation rates for SFY 2024-25 are also higher than in SFY 2023-24, increasing 16% for expansion children and 17% for expansion prenatal

Health Coverage Expansion Caseload & Funds

Expansion Populations		Caseload	FMAP	HAS Fee	Federal Funds
MAGI Parents/Caretakers 60-68% FPL	ACA	4,758	50.0%	$12.9M	$12.9M
MAGI Parents/Caretakers 69-133% FPL	ACA	43,117	90.0%	$27.2M	$222.0M
MAGI Adults 0-133% FPL	ACA	333,472	90.0%	$332.7M	$2,320.5M
Buy-In for Adults & Children with Disabilities	Buy-In	28,544	50.0%	$181.6M	$181.6M
12 Month Continuous Eligibility for Children	ACA	18,927	50.0%	$26.3M	$26.3M
Non-Newly Eligible	ACA	4,201	80.0%	$22.5M	$89.0M
CHP+ 206-250% FPL	CHP+	35,000	65.0%	$38.3M	$71.0M
Incentive Payments	ACA	-	-	$11.6M	-$8.7M
Totals				**$653.1M**	**$2,914.6M**

MAGI = Modified Adjusted Gross Income

Administrative Expenditures

- Administrative expenditures for CHASE related activities, including expenditures related to CHASE funded expansion populations:
  - Full-time equivalent (FTE) staff positions for the administration of CHASE
  - CHASE's share of expenses for Colorado Benefits Managements System (CBMS), Medicaid Management Information System (MMIS), Business Intelligences Data Management, and Pharmacy Benefits Management System
  - County administration contracts for eligibility determinations
- Contracted services are competitively selected and approved by State Controller
- Appropriated by the General Assembly through the budget process

Administrative Expenditures, continued

- $2.6M CHASE funding increase between FFYs 2023-24 and 2024-25
- Increase due primarily to
  - Cost inflation increases
  - Utilization increases
  - PHE Unwind - County eligibility redetermination