

**COLORADO**Department of Health Care
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FY 2025-26 HCPF Budget Reductions Fact Sheet

September 2025

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). Some of the reductions will impact programs administered by the Department of Health Care Policy & Financing (HCPF). In alignment with [HCPF's Medicaid Sustainability Framework](#) (slide 9), the Governor directed HCPF to enact the following budget reduction measures that target Medicaid trend drivers, reduce Medicaid spending, and help balance the state budget. These initial measures will result in \$79.1 million in reductions to the General Fund. Unfortunately, further reductions may be implemented in the coming months.

We appreciate the collaborative partnership with providers and stakeholders as we work together to develop a path forward to ensure the sustainability of the Medicaid program while navigating this difficult time.

Budget reductions are listed in chronological order based on implementation dates beginning August 28, 2025.

\$5.6 million in General Fund reduction for halting implementation of continuous coverage for children ages 0-3

- The Centers for Medicare and Medicaid Services (CMS) has indicated it will not provide federal match funding for this coverage expansion policy and will not approve or renew 1115 waiver provisions that include continuous coverage for Medicaid members.
- Given this guidance, Colorado will cease implementation and revert the general fund appropriation intended for continuous coverage.

Implementation Date: August 28, 2025

\$4.4 million General Fund reduction by eliminating the nursing facility minimum wage supplemental payment

- Set in statute to sunset next year, this payment was in place to supplement wages prior to the minimum wage in nursing facilities rising above \$15.00/hour.
- With this change, the department will end the distribution of the funds one year early.
- Nursing Facility rates will not be impacted by the 1.6% across-the-board (ATB) reduction.

Implementation Date: August 28, 2025 - payments will not go out in Spring 2026.



\$500,000 General Fund reduction to Immigrant Family Planning Services from SB 21-009 Reproductive Health Care Program

- This program provides family planning and family planning-related services to individuals who would qualify for Medicaid, except for their citizenship status.
- This program has historically underspent its budget, which is currently \$2.6 million of state-only funds; therefore, this reduction is absorbable and will not reduce access to these important services.

Implementation Date: August 28, 2025

\$131,000 General Fund reduction to eliminate Cover All Coloradans Outreach

- This reduction will not change eligibility for Cover All Coloradans.
- Funding was included in the implementing legislation, HB22-1289, for a grant program to fund education and outreach to support the initial launch of Cover All Coloradans.

Implementation Date: August 28, 2025

\$38.3 million General Fund reduction by rolling back the 1.6% provider rate increase passed for FY 2025-26

- HCPF will post the updated rate tables [here](#) as soon as possible.
- The historic average Across the Board (ATB) increase in provider reimbursements before COVID, and the related introduction of federal stimulus dollars, averaged 0.62% annually. The ATB provider rate increases from FY 2021-22 to FY 2024-25 ranged from 2-3%, or about 3 times to 5 times higher than typical, historic annual ATB rate increases. The 1.6% ATB increase was 2.5 times higher than historic averages.
- Eliminating the 1.6% ATB increase after 3 months (effective October 1) approximates a 0.4% ATB annual increase, which is more in line with the historic 0.62%.

Expected Implementation Date: October 1, 2025

\$500,000 General Fund reduction by eliminating grants to train providers for a well-established screening tool and interventions related to substance use, and repurposing the Marijuana Cash Tax Fund to offset the General Fund

- Screening, Brief Intervention, and Referral to Treatment (SBIRT) is a well-established screening tool, used to assess the need for alcohol or drug abuse treatment.
- The funds that will be reduced go to a vendor that provides training to providers. Free training at the state level has not been well attended, but free federal training will remain available for providers who wish to utilize it.
- SBIRT screening is still a covered Medicaid benefit.

Expected Implementation Date: October 1, 2025



\$2.5 million General Fund reduction by reducing FY 2024-25 Dental Provider Rates

- This reduction relates to a group of codes that received increases effective July 1, 2024 to align HCPF's Medicaid fee-schedule with commercial rates. Some codes were adjusted to match 100% of the commercial benchmark; others were adjusted to match 70% of the commercial benchmark.
- This adjustment will reduce those rates which received targeted increases, but will be applied equitably so that rates which had a significant disparity with commercial rates are not disproportionately affected.
- The final rate for each of the effective codes reduces the rate increase implemented July 1, 2024 by 15.5%.
- This reduction preserves the intent of the original rate action to correct significant rate disparities while still achieving the required savings.

Expected Implementation Date: October 1, 2025.

\$2.7 million General Fund reduction by resetting the pediatric behavioral therapy rates to 95% of the new benchmark

- This benchmark includes updated rates for all comparator states, including Nebraska.
- These rates will not be subject to the 1.6% ATB provider rate reduction.

Expected Implementation Date: October 1, 2025

\$7 million General Fund reduction by implementing pre- and post- claim review of all pediatric autism behavioral therapy codes due to expected audit findings

- The Office of Inspector General (OIG) preliminary exit meeting for Audit A-09-24-02004 occurred on July 22, 2025. OIG provided an audit summary that highlighted methodologies used and initial findings that included a number of billing discrepancies and errors. The final audit findings should be released this fall.
- HCPF received funding for FY 2025-26 to contract with a vendor to conduct prepayment claim reviews of high risk providers. Providers of pediatric autism behavioral therapies will be reviewed for inclusion in the prepayment work. Additionally, HCPF will utilize a vendor to determine applicable post-payment reviews of providers and claims for autism services to ensure the providers are credentialed and licensed, and the services are necessary and appropriate.

Expected Implementation Date: Auditing efforts to begin October 1, 2025, and be ongoing throughout the year.

\$1.7 million General Fund reduction for inpatient and outpatient drug testing

- Currently, there are no limits on the number of drug tests per member.
- HCPF will implement a limit of 16 tests per year per individual before a prior authorization is needed to authorize additional testing.

Expected Implementation Date: October 10, 2025



\$6.1 million General Fund reduction to reinstate Medicaid prior authorization of outpatient psychotherapy for services that exceed clinical standard best practices

- Per SB 22-156, Medicaid removed Prior Authorization Requests (PARs) for outpatient psychotherapy.
- Since implementing the legislation, HCPF saw a 17% increase in aggregate utilization, with the most significant increase in utilization of more than one session a week for 6-12 months, reflective of a marked change in provider behavior.
- This change will maintain access to outpatient psychotherapy services for Medicaid members and ensure that members are receiving the appropriate levels of care.
- PARs will not be in place for initial visits, just for providers claiming more than 20-24 sessions per patient in a calendar year.

Expected Implementation Date: HCPF will adjust the RAE contracts to reflect this change effective January 1, 2026.

\$3.0 million General Fund reduction by adjusting the Community Connector rate to better align with similar benefits and services

- HCPF is aligning rates based on service scope, training requirements, and comparability to similar services to ensure the sustainability of Colorado's Medicaid program. (Community Connector has different training requirements than certain licensed services; the rate is being aligned accordingly.)
- Further details are available in a [memo released about this rate cut](#).

Expected Implementation Date: January 1, 2026

\$1.5 million General Fund reduction to the Access Stabilization Payments to rural, small, and pediatric providers by implementing these payments effective January 2026, assuming CMS approval, versus retrospectively to July 2025.

- Providers have not received any of these payments yet. This reduction delays implementation of the payment to glean savings for FY 2025-26.
- Providers can still expect these payments beginning in January 2026, assuming HCPF receives federal approval.

Expected Implementation Date: The payment start date is delayed from July 2025 to January 2026.

\$1.5 million General Fund reduction to align the Individual Residential Services and Supports rates for host home and family caregiver homes

- Individual Residential Services and Supports (IRSS) is a service available exclusively in the Developmental Disabilities (DD) waiver, offering residential services in various settings.
- Currently, providers are billing different rates for Host Home services rendered by a contractor and Host Home services provided by a family caregiver, with a higher rate paid to family caregivers. (They are billing at the 'Staffed Home' rate.) This should not



be the case; Host Homes and family caregiver homes are staffed in the same manner, with those providing services sharing the residence.

- HCPF intends to change rules to clarify that family caregivers must bill at the same rate as Host Home providers.

Expected Implementation Date: After the rules are passed, expected in March 2026.

\$750,000 General Fund reduction to Incentive Payments in the Accountable Care Collaborative (ACC Quality Program)

- These payments are used to incentivize Regional Accountable Entities (RAEs) and Primary Care Medical Providers (PCMPs) to reach health and performance outcomes.
- This is about a 25% reduction to the total amount that can be earned by PCMPs and the RAEs for the first payment for the primary care quality improvement projects. There are two additional payments in FY 2026-27 for which the appropriation is not impacted.

Expected Implementation Date: The impacted payments are expected to go out in March 2026

\$3 million General Fund reduction for Behavioral Health Incentive Program (BHIP) payments

- These payments are distributed annually to the RAEs for achievement of certain behavioral health outcomes and performance metrics within their regions, with 66%-90% of awarded incentive funds passed through to behavioral health providers.
- This represents about a 31% reduction in the incentive payments for last year's performance period.

Expected Implementation Date: Payments for performance in FY 2024-25 will be reduced in spring 2026.

For More Information Contact:

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