

Joint Budget Committee Staff FY 2025-26 Budget Briefing Summary

Health Care Policy and Financing

The Department helps pay health and long-term care costs for low-income and vulnerable people. Federal matching funds assist with these costs. In return for the federal funds, the Department must follow federal rules for program eligibility, benefits, and other features. The Department's FY 2024-25 appropriation represents approximately 36.6 percent of statewide operating appropriations and 32.0 percent of statewide General Fund appropriations.

This summary includes all divisions except Behavioral Health and the Office of Community Living.

Summary of Request

Department of Health Care Policy and Financing						
Item	Total Funds	General Fund ¹	Cash Funds	Reapprop. Funds	Federal Funds	FTE
FY 2024-25 Appropriation						
H.B. 24-1430 (Long Bill)	\$15,945,013,018	\$4,979,207,987	\$1,790,475,824	\$137,606,638	\$9,037,722,569	836.2
Other legislation	15,535,046	9,026,986	390,073	0	6,117,987	8.3
Total	\$15,960,548,064	\$4,988,234,973	\$1,790,865,897	\$137,606,638	\$9,043,840,556	844.5
FY 2025-26 Requested Appropriation						
FY 2024-25 Appropriation	\$15,960,548,064	\$4,988,234,973	\$1,790,865,897	\$137,606,638	\$9,043,840,556	844.5
R1 Medical Services Premiums	969,133,681	310,969,228	124,733,393	-716,036	534,147,096	0.0
R1b Health benefits for children lacking access due to immigration status	27,714,743	27,714,743	0	0	0	0.0
R2 Behavioral Health	255,996,379	51,266,218	19,371,605	0	185,358,556	0.0
R3 Child Health Plan Plus	29,171,107	6,130,200	4,079,687	0	18,961,220	0.0
R4 Medicare Modernization Act	24,231,765	24,231,765	0	0	0	0.0
R5 Office of Community Living	95,262,068	38,115,413	11,214,952	0	45,931,703	0.0
R6 Accountable Care Collaborative	-2,465,730	-1,254,288	275,580	0	-1,487,022	0.0
R7 Eligibility administration	38,246,175	4,137,117	5,199,974	2,155,070	26,754,014	15.7
R8 Claims systems reprourement	1,900,121	343,562	0	0	1,556,559	16.6
R9 Provider rates	-74,557,080	-22,148,958	-6,183,380	0	-46,224,742	0.0
R10 HAS Fee admin & refinance	-4,261,930	-2,199,800	68,836	0	-2,130,966	6.4
R11 Long term care benefits	1,354,223	478,573	0	0	875,650	2.0
R12 BH and primary care integration	1,575,367	368,170	117,691	0	1,089,506	0.0
R13 Contract true up	1,028,833	433,098	0	0	595,735	0.0
R14 Convert contracts to FTE	45,546	-38,299	-20,718	239,666	-135,103	8.3
R15 Pharmacy pricing	-2,066,234	-470,433	-129,619	0	-1,466,182	0.0
R16 CF transfers & enterprise	0	-698,757	698,757	0	0	0.0

Department of Health Care Policy and Financing

Item	Total Funds	General Fund ¹	Cash Funds	Reapprop. Funds	Federal Funds	FTE
NP Equity Office realignment	74,921	74,921	0	0	0	0.0
NP CU School of Medicine	0	0	20,000,000	-20,000,000	0	0.0
Annualize prior year budget actions	59,837,169	30,392,444	-15,873,009	-41,569	45,359,303	-48.7
Centralized appropriations	7,997,947	835,699	2,320,305	-328,843	5,170,786	0.0
Transfers to other state agencies	6,328,970	2,725,669	47,820	0	3,555,481	0.0
Community First Choice	0	-49,248,106	0	0	49,248,106	0.0
Total	\$17,397,096,105	\$5,410,393,152	\$1,956,787,771	\$118,914,926	\$9,911,000,256	844.8
Increase/-Decrease	\$1,436,548,041	\$422,158,179	\$165,921,874	-\$18,691,712	\$867,159,700	0.3
Percentage Change	9.0%	8.5%	9.3%	-13.6%	9.6%	0.0

R1a Medical Services Premiums: The Department requests projected costs under current law and policy for Medical Services Premiums. The request costs \$996.8 million total funds, including \$338.7 million General Fund. Medical Services Premiums pays for physical health and long-term care. The request reflects projected changes in enrollment, utilization, and per capita costs.

R1b Health benefits for children lacking access due to immigration status: The Department requests projected costs under current law for health benefits for children lacking access due to their immigration status. The request costs \$27.7 million General Fund. This is in addition to the originally estimated cost in the fiscal note for H.B. 22-1289. The JBC staff separates the amount from the rest of R1 because it funds a state program distinct from Medicaid.

R1b Health benefits for children lacking access due to immigration status	
Item	General Fund
FY 2024-25 Appropriation	\$2,102,665
Annualization of H.B. 22-1289	\$2,258,198
Subtotal - Original estimated cost	\$4,360,863
Forecast increase in R1b	\$27,714,743
Total projected program cost in FY 2025-26	\$32,075,606

R2 Behavioral Health: The Department requests projected costs under current law and policy for Behavioral Health. The request costs \$256.0 million total funds, including \$51.3 million General Fund. Behavioral Health pays for mental health and substance use care. The request reflects projected changes in enrollment, utilization, and per capita costs.

R3 Child Health Plan Plus: The Department requests projected costs under current law and policy for the Child Health Plan Plus. The request costs \$29.2 million total funds, including \$6.1 million General Fund. The Child Health Plan Plus provides a health insurance option for children and pregnant women with low income. The request reflects projected changes in enrollment, utilization, and per capita costs.

R4 Medicare Modernization Act: The Department requests projected costs under current law and policy for the state obligation under the Medicare Modernization Act. The request costs \$24.2 million General Fund. The Medicare Modernization Act requires state Medicaid programs

to pay the federal government in lieu of covering drugs for people dually eligible for Medicaid and Medicare. The request reflects projected changes in enrollment and utilization.

R5 Office of Community Living: The Department requests projected costs under current law and policy for the Office of Community Living. The request costs \$95.3 million total funds, including \$38.1 million General Fund. The Office of Community Living provides services for people with intellectual and developmental disabilities. The request reflects projected changes in enrollment, utilization, and per capita costs.

R6 Accountable Care Collaborative: The Department requests a net decrease for Phase III of the Accountable Care Collaborative (ACC). The request saves a net \$2.5 million total funds, including \$1.3 million General fund. The ACC coordinates care for Medicaid members. The Department requests increased funding for the RAEs and various state-level costs to support the new duties of the RAEs. The Department projects offsetting savings from increased RAE support when members transition out of inpatient and residential settings and from member incentives for behavioral changes linked to better health outcomes.

R7 Eligibility administration: See the briefing for the Office of Community Living.

R8 Claims systems reprocurement: The Department requests funding for the increased complexity of using modular procurement strategies for information technology systems. The request costs \$1.9 million total funds, including \$343,562 General Fund, and 16.6 FTE. Federal regulations require states to use modular information technology systems. Breaking the information technology into modules theoretically allows upgrades of components when technology changes, or to address problems, without needing to replace everything. It reduces reliance on individual vendors. However, each module still needs careful design and oversight to ensure proper interaction with the other modules. More vendors mean more contracts for the Department to oversee and more responsibilities to coordinate communication and standards between the vendors. The Department is moving from 3 modules and vendors to 16 modules and at least 9 different vendors.

R9 Provider rates: The Department proposes decreasing rates above 95 percent of Medicare and for dental services and pediatric behavioral therapies. In addition, the Department proposes rebalancing rates for similar services that pay differently based on the waiver. The net impact decreases projected expenditures \$74.6 million total funds, including \$22.1 million General Fund.

R10 HAS Fee admin & refinance: The Department proposes repurposing unused HAS Fee to help address disproportionate funding for the existing administration and to increase administration for changes in federal requirements. The net impact would decrease appropriations \$4.3 million total funds, including \$2.2 million General Fund, and increase FTE by 6.4.

The unused HAS Fee is primarily due to ending the Hospital Outstationing program but includes a lower than expected disability determinations contract. The Hospital Outstationing program funded medical assistance sites within hospitals to facilitate eligibility determinations. Due to federal requirements for an onerous time survey to determine proper Medicaid reimbursement, program stakeholders decided to discontinue the program.

Funding for the Department's existing administration is not proportionate to the workload driven by the HAS Fee, because statutes limit the share of HAS Fee for administration to 3.0 percent. The General Fund makes up the difference. Expansion populations financed by the HAS Fee represent approximately 30 percent of the Medicaid population. The appropriations for Hospital Outstationing and the disability determination contract were using \$3.4 million of the 3.0 percent for administration. The Department proposes applying \$2.2 million of the savings toward addressing the disproportionate workload and decreasing the General Fund subsidy.

The Department proposes applying the remaining \$1.2 million savings for additional staff to address increasing federal requirements related to the HAS Fee. Changes driving the increased workload include:

- new federal reporting, annual review, and approval processes for determining the upper payment limit
- in-progress audits of major components of the HAS Fee payment methodology
- revised federal policies in 2023 and 2024 on provider fee programs
- increased stakeholder challenges of payment categories and methodologies

R11 Long term care benefits: See the briefing for the Office of Community Living.

R12 BH and primary care integration: See the briefing for Behavioral Health.

R13 Contract increases: The Department requests funding to update appropriations for contract services. The request costs 1.0 million total funds, including \$433,098 General Fund.

- The Department needs ongoing funding for actuarial rate analysis and program audits for the new health benefits for children and pregnant women lacking access due to immigration status authorized in H.B. 22-1289. The bill included funding for the initial rate development but not ongoing rate setting and auditing.
- The Department says low funding for screenings to ensure nursing residents receive appropriate care drives performance issues and threatens compliance with federal standards
- The Department needs to change the timing for quadrennial nursing facility appraisals that get used in rate setting due to a rate rebase in a prior year.

R14 Convert contracts to FTE: The Department proposes reducing contract services and transferring the duties to state FTE. Accounting for impacts on other departments the proposal saves \$85,936 total funds, including \$100,352 General Fund, statewide and adds 8.3 FTE. The specific contracts involve county expenditure reviews to ensure only allowable costs are charged to Medicaid and technical support and user acceptance testing for eligibility systems. The Department expects the changes to improve performance in addition to saving money.

R15 Pharmacy pricing: The Department proposes decreasing the rates paid for drugs with no acquisition cost data. Most pharmacy rates get indexed to measures of the average acquisition cost. Pharmacies voluntarily participate in quarterly rate surveys that determine average acquisition cost. When there is insufficient data to determine average acquisition cost, maybe because a drug is new and/or low volume, the Department indexes the rates to a measure of wholesale costs but applies a discount. The measure of wholesale costs overstates average

acquisition costs but the amount varies by drug. The Department proposes increasing the discount applied to the wholesale costs. The Department anticipates the decreased reimbursement will primarily impact mail order pharmacy providers. The rates for drugs priced this way switch back to using the average acquisition cost if sufficient data becomes available.

R16 CF transfers & enterprise [requires legislation]: The Department requests:

- eliminating obsolete cash funds and using the balances to offset General Fund and
- moving the disability buy-in cash fund to an enterprise.

Using the cash fund balances saves \$698,757 General Fund. Moving the disability buy-in cash fund to an enterprise allows General Fund revenues to increase an additional \$6,660,761 under the TABOR limit.

The disability buy-in cash fund receives premiums from people with disabilities who elect to buy in to Medicaid. The Department suspended the premiums during the pandemic. The Department expects to begin collecting premiums again in FY 2026-27. The Healthcare Affordability and Sustainability (HAS) Fee pays the state share of service costs for the disability buy-in program. The Department proposes that the premiums revenue go to the enterprise for the HAS Fee.

NP Equity Office realignment: See the briefing for the Department of Personnel.

NP CU School of Medicine: See the briefing for the Department of Higher Education.

Annualize prior year budget actions: The request includes adjustments for out-year impacts of prior year legislation and budget actions. In the table below the titles of the annualizations begin with either a bill number or the relevant fiscal year. For budget decisions made in the Long Bill, the title includes a reference to the priority number the Department used in that year for the initiative, if relevant. If there is no reference to a bill number or priority number, then the change was initiated by the Joint Budget Committee.

The largest increases include:

- *FY 23-24 BA7 Community-based access to services* primarily for the expected increase in utilization when long-term services and supports become available through the state plan, rather than through waivers with defined eligibility criteria. The General Fund increase is more than offset by an increase in the federal match. See the Community First Choice adjustment for the change in the federal match.
- *HB 22-1289 Health benefits children & pregnant people lacking access due to immigration status* primarily for the service costs associated with new eligibility
- *FY 24-25 R6 Provider rates* for provider rate increases. The legislature used one-time funding to pay part of the increase for Home- and Community-Based Services, explaining the large increase and General Fund and decrease in cash funds.

The largest decreases include:

- *FY 24-25 BA6 Public health emergency unwind* primarily for the phase-out of extra eligibility determination supports provided during the unwind.
- *HB 23-1228 Nursing facility rates* for a step down in the statutory nursing provider rate increases.
- *HB 24-1401 Denver Health funding* for the end of one-time funding provided to support Denver Health

Annualize prior year budget actions						
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
FY 23-24 BA7 Community-based access to services	\$24,819,485	\$6,817,473	\$1,439,870	\$0	\$16,562,142	4.9
HB 22-1289 Health benefits children & pregnant people lacking access due to immigration status	15,675,769	6,115,251	7,056	0	9,553,462	-0.4
FY 24-25 R6 Provider rates	14,928,458	17,116,542	-11,777,349	0	9,589,265	0.0
HB 23-1300 Continuous eligibility	11,799,801	5,344,427	358,439	0	6,096,935	0.4
SB 23-002 Medicaid reimb community health	11,165,077	2,686,309	685,499	0	7,793,269	-0.4
FY 24-25 R10 Assessments for nursing svcs	8,394,005	2,098,501	0	0	6,295,504	0.0
HB 23-1038 High acuity crisis for children	6,276,503	3,138,252	0	0	3,138,251	0.1
HB 24-1045 Substance use disorder treatment	4,666,581	1,073,707	283,894	0	3,308,980	1.3
FY 24-25 New DD waiver enroll	4,063,792	2,031,895	0	0	2,031,897	0.0
SB 24-168 Remote monitoring	2,121,865	1,039,415	71,299	0	1,011,151	0.0
HB 23-1136 Prosthetic devices	1,535,399	1,687	154,127	0	1,379,585	0.0
SB 24-116 Discounted care for indigent patients	1,160,397	0	153,766	0	1,006,631	1.6
FY 24-25 BA8 Community-based access svcs	839,685	419,843	0	0	419,842	0.0
FY 2024-25 Step Plan	834,248	358,393	49,721	3,921	422,213	0.0
HB 22-1114 Transport svcs waiver clients	720,000	360,000	0	0	360,000	0.0
SB 24-175 Perinatal health	524,400	247,359	0	0	277,041	0.0
SB 24-110 Medicaid prior authorization	326,876	85,746	19,645	0	221,485	0.0
FY 24-25 R12 Administrative support	77,176	75,718	370	0	1,088	0.1
FY 24-25 NP CDPHE Medical facility oversight	69,632	31,334	0	0	38,298	0.0
FY 23-24 R12 BH Eligibility & claims	61,189	61,189	0	0	0	0.0
FY 24-25 Member correspondence	43,074	13,353	8,185	0	21,536	0.6
FY 24-25 R7 Behavioral health continuum	35,988	14,396	3,598	0	17,994	0.6
HB 22-1290 Wheelchair repairs	28,916	14,458	0	0	14,458	0.0
FY 23-24 R13 Case management redesign	22,190	2,219	0	0	19,971	0.0
FY 24-25 R8 Eligibility compliance	2,989	930	566	0	1,493	0.2
FY 23-24 R10 Children complex needs	0	884,714	-884,714	0	0	0.0
FY 24-25 BA6 Public health emergency unwind	-12,512,599	-3,173,550	-1,252,612	0	-8,086,437	-4.9
HB 23-1228 Nursing facility rates	-9,216,419	-4,608,209	0	0	-4,608,210	0.0
HB 24-1401 Denver Health funding	-5,000,000	-5,000,000	0	0	0	0.0
FY 24-25 BA11 ARPA HCBS adjustments	-4,608,068	0	-2,495,840	0	-2,112,228	-29.0
FY 24-25 Care & case management stabilization	-4,213,036	-2,104,850	0	0	-2,108,186	0.2
FY 23-24 BA8 ARPA HCBS adjustments	-3,225,336	0	-1,743,276	0	-1,482,060	-17.0
HB 22-1302 Health practice transformation	-2,967,943	-1,483,971	0	0	-1,483,972	-2.5

Annualize prior year budget actions						
Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
FY 24-25 Salary survey and step pay	-2,734,231	-1,174,586	-162,995	-12,853	-1,383,797	0.0
SB 21-038 Expand complementary & alt medicine	-1,769,323	-526,182	-358,479	0	-884,662	0.0
FY 24-25 BA7 Med transport credentials & reviews	-1,532,317	-459,695	-306,464	0	-766,158	-0.5
SB 19-197 Complementary & alt medicine	-823,855	-411,928	0	0	-411,927	-1.0
FY 23-24 BA6 Public health emergency funding	-636,287	-214,244	-103,898	0	-318,145	0.0
FY 23-24 R9 Birthing equity	-527,093	-264,260	0	0	-262,833	0.0
HB 22-1303 Residential behavioral health beds	-186,818	-93,409	0	0	-93,409	-2.0
FY 24-25 Eligibility appeals	-119,995	-37,199	-22,799	0	-59,997	-1.5
FY 23-24 NP Equity through technology	-93,460	-9,996	-714	0	-82,750	0.0
SB 24-047 Substance use disorder prevention	-75,000	-37,500	0	0	-37,500	0.0
HB 23-1197 Stakeholder oversight host homes	-75,000	-37,500	0	0	-37,500	0.0
FY 24-25 R13 Convert contractors to FTE	-31,915	228	96	-32,637	398	0.4
HB 24-1322 Medicaid housing & nutrition services	-6,670	-3,335	0	0	-3,335	0.0
FY 24-25 R9 Access to benefits	-961	-481	0	0	-480	0.1
Total	\$59,837,169	\$30,392,444	-\$15,873,009	-\$41,569	\$45,359,303	-48.7

Centralized appropriations: The request includes adjustments to centrally appropriated line items for the following: state contributions for health, life, and dental benefits; short-term disability; paid family and medical leave insurance; supplemental state contributions to the Public Employees' Retirement Association (PERA) pension fund; shift differential; salary survey; workers' compensation; legal services; administrative law judges; payment to risk management and property funds; Capitol complex leased space; and CORE operations.

Transfers to other state agencies: The Department requests funding for transfers to programs administered by other departments. The request costs \$6.3 million total funds, including \$2.7 million General Fund, primarily for programs administered by the Department of Human Services.

Community First Choice: The Department requests a change in fund sources to reflect the higher match rate for long-term services and supports under Community First Choice. The request saves \$49.2 million General Fund. The General Assembly approved Community First Choice to move selected long-term services and supports from federal waivers that serve defined populations to the State Plan that serves all members. The Department will still use assessments to determine service needs. States that implement Community First Choice receive an additional federal match of six percentage points for the services.

Issues Presented

This is a summary of the briefing issues presented to the Joint Budget Committee by their dedicated non-partisan staff.

Budget Reduction Options: The Executive Budget Request includes reductions of \$7.3 million General Fund for the Department of Health Care Policy and Financing, representing 0.1% of the

Department's General Fund appropriations. This issue brief reviews these proposals and additional options identified by staff.

Forecasting Medicaid & CHP+: This issue brief discusses the sustainability of Medicaid funding, the process for forecasting, and the Department's November forecast.

R6 Accountable Care Collaborative Phase III: This issue brief provides an overview of the Department's request for care coordination resources through the Accountable Care Collaborative.

R9 Provider rates: This issue brief provides an overview of the Department's request to decrease provider rates by \$74.6 million total funds, including \$22.1 million General Fund.

For More Information

JBC Staff Analyst:

Eric Kurtz

303-866-4952

eric.kurtz@coleg.gov

To read the entire briefing: Go to <http://leg.colorado.gov/content/budget/budget-documents> to use the budget document search tool. Select this department's name under *Department/Topic*, "Briefing" under *Type*, and select a *Start date* and *End date* to show documents released in November and December of 2024.