Colorado Impact of Proposed Health Care Cuts

February 2025

On February 12, 2025, the House Budget Committee unveiled a budget resolution proposing a $2 trillion reduction in mandatory spending over the next decade. If enacted, these cuts would severely impact Medicaid funding and other supports, significantly threatening access to essential health care services.

The House Budget Committee circulated a detailed list of potential cuts on Jan. 17, 2025. **Based on CHA's analysis, these proposals would eliminate at least $27.2 billion in federal funding provided to Colorado over the next five years.**

This document examines the impact of each policy in isolation, without considering the compounded effects that may exacerbate losses. Additionally, it overlooks the potential loss of federal funding due to the inability to pursue a State Directed Payment, another proposed policy elimination. The analysis also fails to account for the consequences of potential proposed policies that would block grant Medicaid, which could lead to severe, far-reaching impacts.

Topic	Proposed Cut Background	CO-Impact - *detail on the methodology is in the appendix*
Limit Medicaid Provider Taxes	States increase the amount of federal Medicaid funding they receive by levying taxes on providers and then increasing their reimbursement rates. This policy would lower the Medicaid provider tax safe harbor from 6% under current law to 4% from 2026 to 2027 and 3% in 2028 and after.	$11 billion loss from federal fiscal year 2026 to federal fiscal year 2030
Equalize FMAP for ACA Expansion Population	This proposal would lower the 90 percent Federal Medical Assistance Percentage (FMAP) federal reimbursement for the Affordable Care Act adult expansion population to 50 percent.	$2.3 billion loss of federal funds to Colorado per year
Establish Medicaid Work Requirements	This proposal would establish work-requirements for able-	Potential $550 million reduction annually

	bodied adults without dependents to qualify for Medicaid coverage.	
Medicaid Per Capita Caps	Currently, states receive open-ended Federal Medicaid matching funds based on the costs of providing services to enrollees. A per capita cap would limit federal payments based on a preset formula, with no increase for rising costs. The policy would set per capita caps for different enrollment groups, growing at medical inflation (CPI-M).	$103.5 million loss in the first year rising to $622.8 million by the fifth year
Standardize Medicaid Administrative Matching Rate	This policy option would standardize the Medicaid administrative matching rates at 50 percent for all administrative categories.	$29.3 million annually
Eliminate Medicare Coverage of Bad Debt	This would eliminate the requirement that Medicare reimburse hospitals at 65% for bad debt.	$14.5 million annually
Limit Federal Health Program Eligibility Based on Citizenship Status	This proposal would remove undetermined categories of undocumented Coloradans from eligibility for federal health care programs.	Likely full elimination of Omni Salud and federal funding for Emergency Medicaid
Medicaid FMAP Penalty for covering Illegal Aliens with State-Only Money	This option would impose a reduction in a state's FMAP if the state uses state only funding to provide coverage to undocumented immigrants through the state's Medicaid program.	Penalties of unknown size related to Cover All Coloradans.

Appendix:

Equalize FMAP for ACA Expansion Population Methodology

Reduce Colorado FMAP to 50% for CHASE expansion populations and all CHASE supplemental payments

- Increase fees up $1,356,441 to allowable 6% of NPR, increase of $106.5 million.
- Keep total supplemental payments equal to 97.2% UPL model, or $1.725 billion dollars
- Reduction of $2.3 billion of Federal funds
- Reduced CHASE net gain by $106.5 million

Establish Medicaid Work Requirements Methodology

CHA estimates are based on the methodology used in the Center on Budget and Policy Priorities review of the experience of Medicaid losses in work requirement states.

Based on this methodology, CHA reduced the 2023-24 expansion expenditure's by 25% for the following CHASE funded categories:

- MAGI Parents/Caretakers 60-68% FPL
- MAGI Parents/Caretakers 69-133% FPL
- MAGI Adults 0-133% FPL

In the 2023-24 CHASE program, these expansion categories had $2.230 billion of total expenditures, of which $2.206 billion is Federal funds

Based on these current federal funds, a 25% reduction would reduce federal funds by $551 million.

Limit Medicaid Provider Taxes Methodology

1. Calculate the 3% and 4% NPR fee limit
2. Calculate the fee delta between the current percent of NPR and proposed NPR reduction (3% and 4%)
3. Reduce evenly, the fee assessment for the ACA expansion categories and the IP/OP supplemental payments, total fee assessment much equal proposed NPR reduction calculated in step 1
4. Use FMAP percentages in ACA expansion categories and IP/OP supplemental payments to determine total funding available after fee reductions
5. In each adjusted category, subtract fee assessment amount from total funding to determine Federal Share
6. Compare current federal share in 2023-24 CHASE model to updated federal share after NPR reductions

Medicaid Per Capita Caps Methodology

Limit ACA population expenditures to 10-year average CPI- M annual increase percentage (2.6%)

- 2023-24 CHASE ACA expansion expenditures: $2,489,227,908
- 2016 to 2024 ACA expansion average annual increase of 6.8%

Federal dollars lost by limiting to CPI-M would exceed $1.7 billion over the first five years:

Average Increase	**6.8%**	**2.6%**	
	2016 - 2024 Average Increase	**CPI - M**	**Loss of Federal Funding**
Estimated 2024-25 Expenditures	2,658,183,980	2,554,632,315	(103,551,665)
Estimated 2025-26 Expenditures	2,838,607,927	2,621,755,221	(216,852,706)
Estimated 2026-27 Expenditures	3,031,278,129	2,690,641,779	(340,636,350)
Estimated 2027-28 Expenditures	3,237,025,801	2,761,338,331	(475,687,470)
Estimated 2028-29 Expenditures	3,456,738,573	2,833,892,433	(622,846,140)
Total			**(1,759,574,330)**