



Joint Budget Committee Members, Health Committee Chairs & House and Senate Leadership
Colorado State Capitol
200 East Colfax Avenue
Denver, CO 80203

February 27, 2026

Dear Legislator,

As a coalition of health care stakeholders, representing both consumer advocates and provider organizations, who have worked together for over a year to bring attention to and advocate for Colorado's health care safety net, we write to express our deep concerns about the state budget for fiscal year 2026-27 and share our common priorities for how we hope you will approach the work ahead.

You are dealing with a very difficult set of circumstances, due to a variety of factors including but not limited to structural budget limitations, federal policy changes, rising health care costs and policy and management decisions at the Colorado Department of Health Care Policy and Financing (HCPF). You have very few "good" options for how to proceed. That reality is further complicated by the hyper-partisan political environment we're all navigating. Leadership is not easy. We sincerely appreciate your commitment to serving Colorado with care and thoughtfulness. We offer this letter and the attached tables in the spirit of collaboration and support and with a genuine intent to find the best path forward for Colorado.

As a first priority, we encourage you to utilize available revenue sources to mitigate the need for cuts in 2026-27. Colorado's public sector operates on relatively lean budgets already and there are substantial fiscal challenges looming in future years. We encourage you to actively explore if and how the following sources of revenue could be tapped, restructured or reallocated to benefit the 2026-27 state budget and/or reduce the need for cuts:

- Federal Matching Dollars in Medicaid and Other Sources
- Revenue Classification Strategies, including those proposed in Senate Bill 26-042
- Reserve Fund
- Unclaimed Property Trust Fund

Turning to cuts, we are struck by the fact that health care – particularly safety net health care programs that benefit low income and vulnerable Coloradans, including Medicaid – is being disproportionately targeted in the Governor's budget proposal. Given the budget realities the state faces and the significant portion of the state budget that is dedicated to health care spending, some level of health care cuts – and particularly cuts to Medicaid - are inevitable. However, making ***deep cuts to health care, while protecting other areas of the state budget, is both unwise and unsustainable for the safety net - and will have direct and long-lasting***

impacts on the most vulnerable Coloradans and ripple effects that will exacerbate health care access and affordability challenges facing ALL Coloradans.

Medicaid is a lifeline for more than 20 percent of Colorado's population: children, the elderly, people living with disabilities and those with low incomes. Medicaid is also a critical component of Colorado's broader health care system. Proposed cuts to safety net programs will have devastating impacts for the 1.2+ million Medicaid members and ripple impacts across the health care sector broadly, negatively affecting all Coloradans and hurting a sector of our economy that is a major employer and economic engine, particularly for rural communities. Medicaid has already sustained significant enrollment reductions over the last two years and private health insurance is even harder to afford today following expiration of the ACA premium subsidies. **We urge you to evaluate all areas of the state budget and all state agency budgets with the same level of scrutiny being applied to Medicaid and HCPF.**

When looking at cuts to Medicaid and / or other parts of the budget, we encourage you to **evaluate all potential cuts through lenses of value and return on investment and use a scalpel, not a sledgehammer.** To do this, you need solid data to understand the policies, programs and the trade-offs. We appreciate that that requires more time, care and consideration than blunt instrument approaches, but urge you to take it. **We implore you to consider what state investments leverage federal dollars and limit cuts that would cost Colorado valuable federal funding. We also encourage you to consider if and where you can pause or delay programs, policies and benefits, rather than cutting or eliminating them all together.** Where you are forced to cut or eliminate, consider some sort of trigger process, with associated data collection and evaluation, to inform a future legislature's decision about whether and/or how to reinstate.

Finally, and most importantly, when working on cuts, **we urge you to prioritize beneficiaries over bureaucracy.** In the Medicaid context, this means prioritizing eligibility for coverage and access to care - prioritizing Medicaid members and the provider networks that serve them. In recent years, HCPF spending and administrative load in the form of employee count and vendor contracts has continued to increase, despite the absence of evidence for improved quality of care, network stability or cost savings. Current budget cut proposals focus narrowly on reducing Medicaid provider reimbursement rates, which will limit access to care for Medicaid members. You are being asked to consider these cuts but not being given real and meaningful proposals to reduce bureaucracy related to Medicaid administration. **We urge you to pause or eliminate Medicaid initiatives and programs that are not delivering value to Medicaid members, providers or taxpayers and improve efficiency at the state agency before reducing coverage or access to care for Coloradans.**

Please see the attached charts with specific feedback on the 2026-27 state budget. We acknowledge that this list is insufficient and incomplete, but it is a starting point. The environment is dynamic, so we look forward to on-going conversation. Further, while these materials focus on the 2026-27 budget, we stand ready to help address the long-term structural challenges facing

our state, including through new revenue sources, structural budget reforms and/or meaningful structural analysis and reform of the Medicaid program.

Again, thank you for your service to Colorado, especially in these difficult times.

Sincerely,

Colorado Behavioral Healthcare Council
Colorado Center on Law and Policy
Colorado Community Health Network
Colorado Cross Disability Coalition
Colorado Hospital Association
Colorado Safety Net Collaborative
Colorado Rural Health Center
Healthier Colorado

Medicaid Cuts We Could Support

Unfortunately, we don't have access to information needed to estimate savings associated with these cuts.

Category	Action	Rationale	Notes
Administrative	Pause non-essential HCPF-issued reports and end contracts with all associated consultants and vendors where possible, and / or limit the scope of reports to make their production more cost effective and increase their utility	Analysis is a helpful tool, but should not be prioritized over services for Medicaid members	Encourage you to solicit list of all reports produced by HCPF with associated vendor contract and other costs; consult with stakeholders re: value of each report
Administrative	Pause Hospital Transformation Program within the CHASE enterprise and end contracts with all associated consultants and vendors, to preserve funding for hospitals and Medicaid populations within CHASE	Impact of the quality program is limited at best and related hospital penalties threaten access to care, particularly for rural hospitals; should not be prioritized over services for Medicaid members	Quality programs are important and this coalition supports meaningful quality programs that deliver real results, but we have not seen those in this HTP program
Administrative	Pause the HCPF Hospital Price Transparency Tool and end contracts with all associated consultants and vendors	This tool is duplicative of other price transparency tools, including the HCPF-funded All Payer Claims Database and should not be prioritized over services for Medicaid members	
Administrative	Evaluate and consider pausing Value-Based Payment Programs at HCPF, ending contracts with vendors and reducing staff dedicated to this work.	Benefits of these programs vary, vendor costs can be high and provider burden is significant, in some cases.	Encourage you to solicit a list of all programs with associated vendor contracts and other costs for administration. While we support the goals of many of these programs, we have concerns about the administrative costs

			associated with implementation.
Administrative	Pause, limit or terminate Prescriber Tool APM	Benefits are minimal, vendor costs are high and provider burden is significant	
Administrative	Pause efforts related to prescription drug importation	Unlikely to be productive in the near future; Resources better spent elsewhere	
Benefit	Implement HCBS soft caps	Responsible utilization management	Included in supplementals and being revisited for figure setting
Benefit	Eliminate HCBS homemaking hours/benefit for young children	Responsible utilization management	Included in supplementals and being revisited for figure setting
Benefit	Implement a cap on how many hours one caregiver can provide care for one client, with efficient exception processes for cases where networks are inadequate	Responsible utilization management	Continue working with the disability community and HCPF on stair-step phase in approach
Benefit	Tighten 1915(B)(3) waiver services utilization (e.g., diagnosis related billing) to mitigate outlying cost growth	Focus on refining service eligibility to better match recipient acuity - potentially enforced through audits or spending limits to aid in realizing broader cost savings	Federal rules require these benefits to be cost neutral but that is not how they are being implemented Colorado

Medicaid Budget Actions We Recommend Against

Category	Action	Justification	Notes
Provider Rate	Indiscriminate 3.9% Medicaid Provider rate reduction	Would decimate access to care for Medicaid members and have spill over impacts to access for care for all Coloradans, as some providers will be forced to reduce capacity, close service lines. Would have particularly devastating impacts in rural Colorado.	
Other	Diverting money from CHASE Enterprise to support General Fund	Would undermine the status of the Enterprise, likely inviting legal action, would cost Colorado federal matching funds and depending on the amount of funds diverted, could seriously impact access to care and / or coverage.	Federal policy change coming through H.R.1 will limit hospital provider fees in the future
Provider Rate	IME Funding Cut	Colorado is already facing significant health care workforce shortages that exacerbate access to care and this cut will cripple our workforce pipeline, having long-term impacts; This funding also draws a 2 to 1 federal match so \$18.1M cut of state funds costs Colorado \$40M of federal funding	