

let's start with the
FACTS

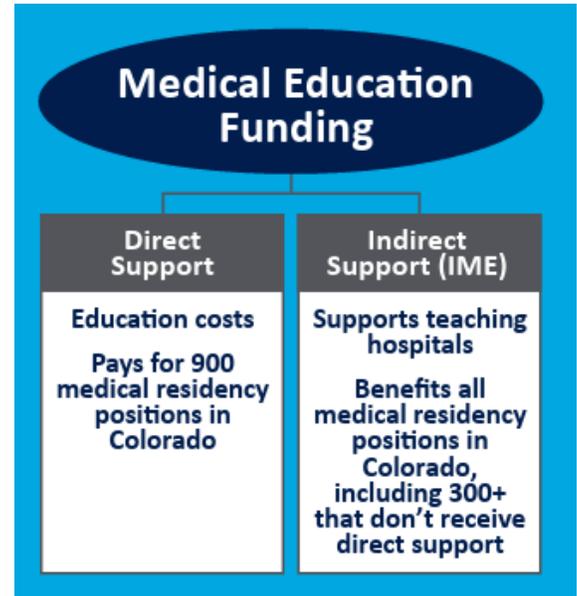
Medical Education Cuts Will Reduce Colorado's Workforce

In the most recent budget update, Gov. Polis recommended cutting Indirect Medical Education (IME) to help the state cover its projected budget shortfall.

Why is IME needed?

IME recognizes that teaching hospitals cost more to operate clinically. Those higher costs show up in:

- Infrastructure and resources for residents
- Training for the future of Colorado's health care workforce
- More complex patients with longer lengths of stay who need more resources



False Narrative #1: Hospitals can recoup these cuts through the CHASE Fee.

The Facts: Provider fees are not a reliable backfill strategy because the system is capped.

The CHASE program is already at the maximum allowed for fees collected – 6% of net patient revenue – and shifting these IME payments to the CHASE program would require additional fee assessments on hospitals. As the fees in the CHASE program are maxed out, there is no more room for these additional assessments, which would mean something would need to be reduced in the program (e.g., CHASE payments, HCPF administrative costs, or expansion expenditures). H.R. 1 will start lowering the maximum fees from 6% down to 3.5%, starting in 2028, which puts additional constraint on this idea. Provider fees are not a reliable backfill strategy because the system is structurally constrained.

Additionally, any changes to provider fees would be spread across all hospitals. So, those who receive IME cuts would also need to pay more in CHASE fees to receive supplemental payments.

False Narrative #2: The hospitals who are targeted can afford these cuts without cutting resident slots.

The Facts: This cut will result in a massive loss of residency slots.

That loss of slots will cause long-term damage to health care access and workforce development. If the state is expecting hospitals to cover workforce development expenses, that needs to be part of a stakeholder process. The hospital community cannot absorb more than the estimated \$51-60 million in program cuts.

let's start with the
FACTS

Medical Education Cuts Will Reduce Colorado's Workforce

False Narrative #3: Hospitals should provide more financial support for the state's health care system.

The Facts: Hospitals are already providing subsidies to the state's health care system to the amount of \$4.5 billion.

Item	Total for 2026 (000)
Shortfall on Medicaid Fee for Service Rates	(\$2,140)
Additional impact of 4% fee for service reduction	(\$75)
Hospital fee funding for State Admin	(\$51)
Hospital fee funding for Medicaid Expansion	(\$692)
Reduction to 85% of Medicare targeted rates- R6	(\$13)
Proposed IME reduction	(\$51)
Out of Network rate setting	(\$565)
Colorado Option rate subsidy	(\$240)
Provider stabilization funding	(\$40)
Uncompensated care	(\$656)
Total	(\$4,523)

False Narrative #4: 26 other states don't need IME funding, so Colorado doesn't either.

The Facts: Colorado is one of 24 states that funds its residency through both Direct Graduate Medical Education (DGME) and Indirect Medical Education (IME). Colorado needs IME funding to support the critical training for future health care providers.

Robust medical education infrastructure, including a new medical school in Weld County and high levels of training and expertise at teaching hospitals.

Colorado caps DGME expense, forcing reliance on IME to fund residency slots that are necessary to sustain the physician workforce pipeline.

Other states with large academic medical centers fund with both DGME and IME.

Colorado currently doesn't have a State Directed Payment program, which many other states use to help fund their training programs.

Colorado has had significant population growth since the DGME caps were created, and is projected to need 1,770 more primary care providers by 2030.