



# FY 2025-26 Budget Briefing Summary

## Health Care Policy and Financing

The Department helps cover health and long-term care costs for low-income and vulnerable people. Federal matching funds assist with most of these costs. In return for the federal funds, the Department must follow federal rules governing eligibility, benefits, and other features. Summary of Request

This document is limited to discussion of Behavioral Health Community Programs.

### Department of Health Care Policy and Financing

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
FY 2025-26 Appropriation						
FY 2025-26 Appropriation	\$18,217,290,946	\$5,554,316,022	\$2,030,279,577	\$144,020,883	\$10,488,674,464	843.2
Total	\$18,217,290,946	\$5,554,316,022	\$2,030,279,577	\$144,020,883	\$10,488,674,464	843.2
FY 2026-27 Requested Appropriation						
FY 2025-26 Appropriation	\$18,217,290,946	\$5,554,316,022	\$2,030,279,577	\$144,020,883	\$10,488,674,464	843.2
Medical forecast [1]	2,841,332,450	630,860,236	477,749,914	0	1,732,722,300	0.0
Employee compensation common policies	8,693,320	2,544,524	1,436,917	0	4,711,879	0.0
Operating common policies	4,277,298	1,280,829	473,422	-13,427	2,536,474	0.0
Impacts driven by other agencies	1,890,335	852,076	93,091	0	945,168	1.8
Eligibility & benefit changes [1]	-203,585,062	-82,866,991	-5,345,281	0	-115,372,790	7.0
Provider rates [1]	-341,182,268	-126,227,926	-17,665,178	0	-197,289,164	1.0
Administration [1]	8,655,095	-7,133,048	2,291,649	2,455,447	11,041,047	11.3
Prior year actions [1]	37,382,050	15,219,353	-4,075,326	-1,652,006	27,890,029	-2.6
Total	\$20,574,754,164	\$5,988,845,075	\$2,485,238,785	\$144,810,897	\$11,955,859,407	861.7
Increase/-Decrease	\$2,357,463,218	\$434,529,053	\$454,959,208	\$790,014	\$1,467,184,943	18.5
Percentage Change	12.9%	7.8%	22.4%	0.5%	14.0%	2.2%

[1] Only the highlighted items are discussed in this document. Other items are discussed in separate staff briefings.

Changes are assumed to be ongoing unless otherwise noted.

## Medical forecast

The Department requests an increase for projected behavioral health expenditures under current law and policy. The cost is \$343.8 million total funds in FY 2026-27, including \$68.2 million General Fund.

### Medical forecast

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE	JBC Lead
R1 Medical Services Premiums	\$2,282,305,964	\$431,286,496	\$443,437,319	\$0	\$1,407,582,149	0.0	EK
R2 Behavioral health [1]	343,831,232	68,242,986	30,852,643	0	244,735,603	0.0	EP
R5 Office of Community Living	136,855,181	72,893,346	-1,713,868	0	65,675,703	0.0	TD
R4 Other programs & services	56,180,311	56,180,311	0	0	0	0.0	EK
R3 Child Health Plan Plus	22,659,762	2,757,097	5,173,820	0	14,728,845	0.0	EK
R6.05 Immigrant family planning	-500,000	-500,000	0	0	0	0.0	EK
Total	\$2,841,332,450	\$630,860,236	\$477,749,914	\$0	\$1,732,722,300	0.0	

[1] Only the highlighted items are discussed in this document. Other items are discussed in separate staff briefings.

The forecasts do not account for impacts from the Governor's Executive Order or H.R. 1. Impacts from the Executive Order are included in R6. The forecast is based on enrollment and expenditure data through June 2025. The Committee will receive an updated forecast based on enrollment and expenditure data through December 2025 in February to consider for figure setting.

Increased costs for behavioral health are driven by increases in patient acuity, utilization, and eligible services. The Department's response to a legislative request for information provides the following data:

- The percent of Medicaid members accessing behavioral health care in FY 2023-24 was 25.0 percent higher than the previous four fiscal years.
- The number of unique members accessing behavioral health care increased 41.0 percent from 2019 to 2024.
- The number of behavioral health providers increased 95.2 percent from 2018-19 to FY 2023-24.
- The largest utilization increase in FY 2023-24 was for outpatient mental health.

## Eligibility and benefit changes

The Department requests 18 eligibility and benefit changes across 3 prioritized requests. Two changes are discussed in this document. Additional changes are discussed in separate staff briefings.

### Eligibility and benefit changes

Item	Total Funds	General Fund	Cash Funds	Federal Funds	FTE	JBC Lead
R18 3D mammograms	\$635,758	\$128,456	\$37,885	\$469,417	0.0	EK
R6.09 Outpatient psychotherapy prior auth [1]	-31,330,942	-12,241,619	-959,135	-18,130,188	0.0	EP
R6.04 Continuous coverage	-27,209,010	-11,226,343	-716,877	-15,265,790	0.0	EK
R6.10 Pediatric behavioral therapy reviews [1]	-20,000,000	-10,000,000	0	-10,000,000	0.0	EP
R6.17 IDD youth transitions	-15,261,376	-7,630,688	0	-7,630,688	1.0	TD
R6.34 Community connector units	-15,092,224	-7,546,112	0	-7,546,112	1.0	TD
R6.08 Tests for specific drugs	-14,106,232	-1,876,129	-1,035,397	-11,194,706	0.0	EK
R6.30 HCBS hours soft cap	-13,891,297	-6,945,648	0	-6,945,649	3.0	TD
R6.20 Community health workers	-13,385,549	-3,196,962	-803,013	-9,385,574	0.0	EK
R6.36 IDD cost share	-12,641,818	-6,320,909	0	-6,320,909	0.0	TD

Item	Total Funds	General Fund	Cash Funds	Federal Funds	FTE	JBC Lead
R6.25 Biosimilars	-12,316,324	-2,357,591	-1,240,468	-8,718,265	0.0	EK
R6.26 3rd party pay for drugs	-9,770,846	-2,944,176	-645,423	-6,181,247	0.0	EK
R6.18 IDD waitlist	-6,497,170	-3,248,585	0	-3,248,585	1.0	TD
R17 Community connector age limit	-5,229,310	-2,632,702	17,147	-2,613,755	0.0	TD
R6.29 LTSS presumptive eligibility	-2,775,871	-1,471,558	0	-1,304,313	0.0	TD
R6.31 Caregiving hours soft cap	-2,266,749	-1,133,374	0	-1,133,375	1.0	TD
R6.19 Senior dental grants	-2,000,000	-2,000,000	0	0	0.0	EK
R6.32 Homemaker hours soft cap	-446,102	-223,051	0	-223,051	0.0	TD
Total	-\$203,585,062	-\$82,866,991	-\$5,345,281	-\$115,372,790	7.0	

[1] Only the highlighted items are discussed in this document. Other items are discussed in separate staff briefings.

**R6.09 Outpatient psychotherapy prior authorization [legislation]:** The Department is undoing the statutory prohibition on prior authorization for outpatient psychotherapy from [S.B. 22-156 \(Medicaid Prior Authorization and Recovery of Payment\)](#).

The Department began implementing the change October 10, 2025. The change reduces the Department's forecast by:

- Current year: \$15.7 million total funds, including \$6.1 million General Fund.
- Year 1: \$31.3 million total funds, including \$12.2 million General Fund.

Senate Bill 22-156 prohibited prior authorization requirements (PARs) for outpatient psychotherapy. PARs are a third-party assessment mandated to access services. The request is for legislation to reinstate the PAR for outpatient psychotherapy services that exceed clinical standard best practices.

The fiscal note for the bill assumed no fiscal impact because almost all PARs requested were approved at the time. Providers and the department assumed that the change would simply decrease administrative burden for providers without significantly impacting utilization.

A third-party actuarial analysis determined that the bill resulted in a 16.9 percent increase in outpatient psychotherapy utilization. The Department estimates that the change has increased expenditures by \$31.3 million total funds annually. The analysis also demonstrated a significant increase in visits above 26 per year.

#### Change in Utilization Above 26 Sessions

Annual Sessions	FY 21-22	FY 23-24	% Change
26-35	4,237	6,836	61%
36-45	2,121	3,569	68%
46-55	764	1,221	60%
56+	447	886	98%

**R6.10 Pediatric behavioral therapy reviews:** The Department estimates savings from a pending review of pediatric behavioral therapy utilization.

The Department estimates savings of:

- Current year: \$14.0 million total funds, including \$7.0 million General Fund.
- Year 1: \$20.0 million total funds, including \$10.0 million General Fund.

The Department has contracted with an auditing firm to review claims for pediatric behavioral therapy (PBT). PBT covers behavioral therapy for youth under the age of 21, including but not limited to treatments for autism spectrum disorder like applied behavior analysis (ABA).

The audit is expected to be complete by the end of 2025. The Department estimates that the implementation of preliminary audit findings, including pre- and post-payment reviews, could result in General Fund savings based on similar audits in other states.

## Provider rates

The Department requests 18 provider rate changes across 4 prioritized requests. Four changes are discussed in this document. Additional changes are discussed in separate staff briefings.

Provider rates						
Item	Total Funds	General Fund	Cash Funds	Federal Funds	FTE	JBC Lead
R13 Denver Health fed funds	\$11,331,455	\$0	\$3,527,482	\$7,803,973	0.0	EK
R14.2 IV nutrition rates [1]	615,320	203,628	24,453	387,239	0.0	EP
R6.03 Primary care stabilization	0	0	0	0	0.0	EK
R6.11 Provider rates -1.6%	-160,972,816	-56,992,200	-8,810,550	-95,170,066	0.0	EK
R6.23 Rates above 85% Medicare	-53,241,533	-15,046,057	-3,780,149	-34,415,327	0.0	EK
R15 Home health/nurse rates	-26,582,980	-13,670,319	160,503	-13,073,164	1.0	TD
R6.16 Dental rates	-20,668,949	-3,774,150	-3,121,011	-13,773,788	0.0	EK
R6.33 Community connector -23%	-18,331,864	-9,165,932	0	-9,165,932	0.0	TD
R6.24 Outpatient drug rates	-15,805,934	-3,772,279	-1,178,513	-10,855,142	0.0	EK
R6.15 Pediatric behavioral therapy rates [1]	-13,057,068	-6,528,534	0	-6,528,534	0.0	EP
R6.02 Behavioral health incentives [1]	-12,644,332	-3,000,000	-3,322,166	-6,322,166	0.0	EP
R6.12 Community connector -15%	-12,052,939	-6,026,469	0	-6,026,470	0.0	TD
R6.13 Nursing minimum wage	-8,719,922	-4,359,961	0	-4,359,961	0.0	EK
R6.14 Individual residential srvc & supports	-5,801,116	-2,284,479	-616,079	-2,900,558	0.0	TD
R6.01 Accountable care incentives	-2,325,290	-750,000	-412,645	-1,162,645	0.0	EK
R6.28 Drug dispensing fees	-1,690,905	-509,509	-111,694	-1,069,702	0.0	EK
R6.35 Movement therapy rates [1]	-716,467	-358,234	0	-358,233	0.0	EP
R6.27 Specialty drug rates	-516,928	-193,431	-24,809	-298,688	0.0	EK
Total	-\$341,182,268	-\$126,227,926	-\$17,665,178	-\$197,289,164	1.0	

[1] Only the highlighted items are discussed in this document. Other items are discussed in separate staff briefings.

**R14.2 IV nutrition rates [legislation]:** The Department asks to increase the pharmacy rate for intravenous (IV) nutrition.

Year 1: \$615,320 total funds, including \$203,628 General Fund.

Total Parenteral Nutrition (TPN) is provided for Medicaid members who can only receive nutrition by IV. The current pharmacy reimbursement is \$11.91 per claim. However, a contracted analysis found that the true cost of service is \$235.86 per claim. The request would increase the rate to \$235.86 per claim.

[Senate Bill 25-084 \(Medicaid Access to Parenteral Nutrition\)](#) required the Department to establish rates to encourage pharmacy participation in IV nutrition by January 2026. The bill included an ongoing appropriation of \$219,326 total funds to cap reimbursement at 30.0 percent of cost, or \$70.76 per claim.

The Department has submitted a State Plan Amendment to the Centers for Medicare and Medicaid Services (CMS) to implement S.B. 25-084. CMS requires the rate to be data informed. The Department is concerned that the amendment will be rejected because the current rate is known to be insufficient.

**R6.15 Pediatric behavioral therapy rates:** The Department is reducing the rate for pediatric behavioral therapy (PBT) to 95.0 percent of a new benchmark.

The Department implemented the new rate October 1, 2025. The rate decrease reduces the Department's forecast by:

- Current year: \$5.4 million total funds, including \$2.7 million General Fund.
- Year 1: \$13.1 million total funds, including \$6.5 million General Fund.

The General Assembly approved a PBT rate increase to 100.0 percent of the benchmark with other states in FY 2024-25. The increase cost \$34.3 million total funds, including \$17.1 million General Fund. The rate included Nebraska, which was considered a significant outlier at the time.

The new benchmark still includes Nebraska. However, Nebraska reduced PBT rates beginning October 1, 2025. PBT rates are not included in the 1.6 percent across the board provider rate decrease. Rates vary by service and provider type. Proposed rate reductions are provided in the table below.

**PBT Rate Reductions**

Rate	Current rate	Reduced rate	% Change	Total Impact
Assessment	\$27.59	\$27.12	-1.7%	-\$70,800
Adaptive behavior (tech)	\$18.17	\$17.22	-5.2%	-\$11,363,149
Group adaptive behavior (tech)	\$11.51	\$8.81	-23.5%	-\$56,061
Adaptive behavior (phys)	\$26.62	\$25.84	-2.9%	-\$1,537,437
Group adaptive behavior (phys)	\$17.83	\$9.34	-47.6%	-\$29,622
Total				-\$13,057,069

**R6.02 Behavioral health incentives:** The Department is reducing incentive payments to RAEs for behavioral health capitation.

The Department expects to implement the decrease in Spring 2026. The decrease reduces the Department's forecast by:

- Current year: \$12.0 million total funds, including \$3.0 million General Fund.
- Year 1: \$12.6 million total funds, including \$3.0 million General Fund.

RAEs are eligible to earn up to an additional 5.0 percent of their behavioral health capitation rate by meeting performance metrics. Payments are distributed annually with 66-90.0 percent of awards passed through to providers. The request reflects a 31.0 percent reduction to estimated incentive payments.

RAEs and providers often indicate that incentive payments are essential to maintaining business operations. However, reductions to incentive payments prevent additional direct reductions to services.

**R6.35 Movement therapy rates:** The Department is reducing rates for movement therapy to align with statewide rate review methodologies.

The Department expects to implement the decrease April 1, 2026. The decrease reduces the Department's forecast by:

- Current year: \$119,412 total funds, including \$59,706 General Fund.

- Year 1: \$716,467 total funds, including \$358,234 General Fund.

Movement therapy includes services such as music and dance therapy to support behavioral, developmental, and physical skills. Movement therapy is available under the Children’s Extensive Support (CES), Children’s Habilitative Residential Program (CHRP), and Supported Living Services (SLS) waivers.

The Department identified irregularities with the rate methodologies compared to Department standards. The reduction aligns movement therapy rates across waivers and establishes parity with comparable therapies. Rates vary by waiver and provider type, described in the table below.

#### Movement Therapy Rate Reductions

Type	Current Rate	Reduced Rate	% Change	Total Impact
CES, SLS (Bachelors)	\$17.50	\$16.11	-7.9%	-\$94,222
CHRP (Bachelors)	\$17.68	\$16.11	-8.9%	-\$7,630
CES, SLS (Masters)	\$25.63	\$18.61	-27.4%	-\$590,407
CHRP (Masters)	\$25.91	\$18.61	-28.2%	-\$24,208
Total				-\$716,467

## Administration

The Department requests 15 administrative changes across 11 prioritized requests. Three changes are discussed in this document. Additional changes are discussed in separate staff briefings.

Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE	JBC Lead
R7 Eligibility administration	\$16,626,704	\$1,503,264	\$1,560,567	\$2,455,447	\$11,107,426	3.0	TD
R9 Provider directory	5,955,875	451,455	248,360	0	5,256,060	0.0	EK
R10.1 Disability determinations	1,381,020	837,000	-146,491	0	690,511	0.0	TD
R11 Salesforce support	700,172	223,727	120,059	0	356,386	1.8	EK
R14.1 Chronic pain manage [1]	290,738	94,867	50,502	0	145,369	1.0	EP
R12 Home health administration	95,738	31,237	16,631	0	47,870	1.0	EK
R10.2 3rd party insurance	0	-781,598	-418,965	0	1,200,563	1.8	EK
R6.22 Provider credential ACC	0	0	0	0	0	0.0	EK
R16 Unspent grant admin [1]	0	-800,000	800,000	0	0	0.0	EP
R19 Line item consolidation	0	0	0	0	0	0.0	TD
R20 CHP+ Trust consolidation	0	0	0	0	0	0.0	EK
R8 Single assessment	-11,668,682	-6,192,265	60,986	0	-5,537,403	2.7	TD
R6.21 Children in Rocky PRIME	-3,476,470	-1,738,235	0	0	-1,738,235	0.0	EK
R6.07 Immigrant services outreach	-750,000	-262,500	0	0	-487,500	0.0	EK
R6.06 SBIRT training grants [1]	-500,000	-500,000	0	0	0	0.0	EP
Total	\$8,655,095	-\$7,133,048	\$2,291,649	\$2,455,447	\$11,041,047	11.3	

[1] Only the highlighted items are discussed in this document. Other items are discussed in separate staff briefings.

**R14.1 Chronic pain management:** The Department asks to continue chronic pain training for providers.

Year 1: \$290,738 total funds, including \$94,867 General Fund and 1.0 FTE.

The Chronic Pain Centers of Excellence was initially created from the federal American Rescue Plan Act of 2021 (ARPA). Funding was continued through a budget request to continue the program through FY 2025-26 using General Fund. The request would continue the program on an ongoing basis.

The program offers live an on-demand training for Medicaid providers, pain consultations, and connects individuals with chronic pain to appropriate care resources. The intent of the program is to connect people with chronic pain to care, and reduce over-prescription of narcotics. The program is operated through a contract with the University of Colorado’s School of Pharmacy.

**R16 Unspent grant admin [legislation]:** The Department asks for the Committee sponsor legislation to allow the Behavioral and Mental Health Cash Fund to support Medical Services Premiums.

Year 1: The total cost is net-zero, including a one-time reduction of \$800,000 General Fund offset by an equal increase of cash funds.

The Behavioral and Mental Health Cash Fund consists of funding that originated as federal ARPA funds. [House Bill 22-1302 \(Health-care Practice Transformation\)](#) appropriated \$33.8 million from the cash fund to the Department for integrated care grants. The Department expects \$800,000 of \$3.0 million appropriated for grant administration to revert in December 2026. The request would allow the Department to use the unspent funds to support the Medical Services Premiums forecast.

**R6.06 SBIRT training grants:** The Department asks for a reduction for Screening, Brief Intervention and Referral to Treatment (SBIRT) provider training grants.

The Department implemented a reduction on October 1, 2025. The change impacts current appropriations by:

- Current year: \$500,000 cash funds reduction from the Marijuana Tax Cash Fund (MTCF).
- Year 1: Decrease of \$500,000 General Fund and net-zero change from the MTCF.

The SBIRT appropriation is \$1.5 million cash funds from the MTCF for FY 2025-26. The appropriation supports provider training to screen, intervene, and refer individuals for substance use treatment. The reduction is expected to decrease trainings from 150 to 100 per year. The appropriation does not support direct services.

The request is a reduction of the MTCF appropriation for SBIRT training grants in the current fiscal year. However, the MTCF reduction is used to offset General Fund for Medical Services Premiums (MSP) in FY 2026-27 and ongoing. The budget year impact of the request by line item is provided in the table below.

R6.06 Ongoing SBIRT training grants impact by line item			
Item	Total Funds	General Fund	MTCF
SBIRT training	-\$500,000	\$0	-\$500,000
Medical Services Premiums	0	-500,000	500,000
Total	-\$500,000	-\$500,000	\$0

### Prior year actions

The request includes a net increase of \$5.5 million total funds for the impact of prior year budget decisions and legislation for the Behavioral Health Community Programs division. The table below only reflects impacts for the division rather than the entire Department.

Prior year actions					
Item	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
FY 25-26 BA10 System of care	\$2,949,000	\$1,474,500	\$0	\$1,474,500	0.0
HB 24-1038 High acuity youth	2,500,000	1,250,000	0	1,250,000	0.0

Item	Total Funds	General Fund	Cash Funds	Federal Funds	FTE
FY 25-26 Provider rates 1.6% adjustment	13,762	3,307	816	9,639	0.0
Total	\$5,462,762	\$2,727,807	\$816	\$2,734,139	0.0

## 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 \$4.1 million General Fund for Behavioral Health Community Programs representing 1.2 percent of the current General Fund appropriations in this section of the budget.<sup>1</sup> This issue brief reviews these proposals and additional options identified by staff.

**High Acuity Youth:** The JBC sponsored S.B. 25-292 (Workforce Capacity Center) and S.B. 25-294 (Behavioral Health Services for Medicaid Members) to address concerns with the continuum of care for high acuity youth. This issue brief provides an update on the Department's implementation of a system of care for Medicaid youth and movement of child welfare residential treatment placements to behavioral health capitation.

## For More Information

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<sup>1</sup> Current FY 2025-26 appropriations do not include mid-year reductions in executive orders.