



COLORADO

Department of Health Care
Policy & Financing

OSPB and HCPF Follow Up from September 17 Meeting

Medicaid Commission, October 2026

1. **Senator Mullica:** What is the dollar value of the forecast error? What is the forecasting error separated from budget adjustments and policy changes? Can you provide more detail on the \$33.1 million recovery shortfall and the fund source estimating error?

Response. The FY 2025-26 General Fund over expenditure was \$157.9 million, which is approximately 2.7% above HCPF's final spending authority.

Of the \$157.9 million GF overexpenditure in FY 2025-26, \$71.5 million GF is the result of differences between forecast assumptions and actual experience. The primary drivers of this component of the overexpenditure include the Medicaid unit rebate offset amounts (UROA) in the Medicaid Drug Rebate Program, totaling \$31.8 million GF and an overestimation of expenditure attributable to Medicaid expansion populations of \$39.7 million GF.

- Section 2501 of the ACA increased the amount of rebates that drug manufacturers are required to pay under the Medicaid drug rebate program. Under the ACA, the amounts attributable to these increased rebates—the UROAs—offset the amounts that the federal government pays to the states. Therefore, states are prohibited from keeping the additional ACA-required rebate amounts. This accounts for the \$31.8 million GF overexpenditure.
- The fund source estimating error is a result of not attributing some expenditures to the appropriate budget group or service category in the Department's forecast in line with how expenditures are paid through the state's financial system, CORE. The Department will update and refine this part of the forecast for future budget submissions. This accounts for \$39.7 million GF overexpenditure.

The remaining \$86.4 million of the \$157.9 million GF overexpenditure is the result of service utilization changes, accounting adjustments, and \$33.1 million related to recoveries expectations.

- The \$33.1 million recoveries shortfall is the result of changes to the Department's Recoveries Audit Contract (RAC) audit process and the Department's Third Party Liability (TPL) recoveries. The RAC program was substantially changed by SB 25-314, the impacts from which caused the Department to recover less funding than in previous fiscal years; the fiscal note for SB 25-314 assumed no change in recoveries,

and this turned out to be incorrect. The Department will adjust expectations for RAC recoveries moving forward.

2. Senator Kirkmeyer: Composition of the \$703 million FY 2026-27 increase

Response. The \$703 million General Fund increase in FY 2026-27 estimated expenditures is the difference between the final FY 2025-26 spending authority compared to the estimated FY 2026-27 General Fund expenditures including the preliminary FY 2026-27 forecast increase. The current FY 2026-27 spending authority is \$5.776 billion General Fund, which is \$261 million above FY 2025-26's spending authority. The additional \$442 million General Fund preliminary FY 2026-27 forecast increase brings the FY 2026-27 expenditures to \$703 million above FY 2025-26's. See the table below.

Please remember that these estimates are preliminary, and the Department will provide a formal revision to estimated expenditure in the November 1, 2026 budget.

		General Fund (in millions)	% Increase compared to FY 2025-26 Spending Authority
A	FY 2025-26 Spending Authority	\$5,515	
B	FY 2026-27 Spending Authority	\$5,776	
C	Difference (B - A)	\$261	4.7%
D	FY 2026-27 Preliminary Forecast Increase	\$442	
E	FY 2026-27 estimated spending increase over FY 2025-26 (C + D)	\$703	12.7%

3. Senator Frizell: Ten-year expenditure projection by line item

Response. The table below shows the trajectory of expenditures for six broad spending categories if they each grew at the compound average growth rate (CAGR) observed/estimated between FY 2018-19 and FY 2027-28.

Spending by Service Area (GF, \$M)

	Acute Care	Behavioral Health	Comm-Based Long-Term Care	Long-Term Care & Insurance	Office of Comm Living	Other Medical Services
FY18-19	\$1,223	\$182	\$542	\$553	\$293	\$149
FY19-20	\$1,208	\$176	\$610	\$577	\$314	\$163
FY20-21	\$1,289	\$176	\$659	\$560	\$282	\$154
FY21-22	\$1,475	\$182	\$739	\$570	\$280	\$213

FY22-23	\$1,648	\$218	\$861	\$597	\$388	\$217
FY23-24	\$1,739	\$260	\$1,005	\$635	\$520	\$246
FY24-25	\$1,877	\$319	\$1,271	\$715	\$660	\$263
FY25-26	\$2,055	\$378	\$1,493	\$761	\$704	\$318
FY26-27	\$2,202	\$418	\$1,713	\$840	\$695	\$331
FY27-28	\$2,378	\$496	\$1,876	\$892	\$683	\$348
FY28-29	\$2,560	\$554	\$2,154	\$941	\$750	\$382
FY29-30	\$2,757	\$620	\$2,472	\$992	\$824	\$420
FY30-31	\$2,968	\$693	\$2,838	\$1,046	\$906	\$462
FY31-32	\$3,196	\$774	\$3,258	\$1,103	\$995	\$507
FY32-33	\$3,441	\$866	\$3,739	\$1,163	\$1,093	\$557
FY33-34	\$3,705	\$968	\$4,293	\$1,227	\$1,201	\$613
FY34-35	\$3,989	\$1,082	\$4,928	\$1,294	\$1,319	\$673
FY35-36	\$4,294	\$1,209	\$5,657	\$1,364	\$1,449	\$740
FY36-37	\$4,624	\$1,352	\$6,493	\$1,439	\$1,592	\$813
FY37-38	\$4,978	\$1,511	\$7,454	\$1,517	\$1,749	\$893

4. Senator Kirkmeyer: What is the underlying data for the graph shown on slide 5 of OSPB's presentation?

Response.

Data were obtained from the JBC Appropriations Reports for FY 2013-14 through FY 2026-27. The data are shown in the table below. OSPB made several adjustments/assumptions:

- For FY 2025-26, the HCPF expenditures were adjusted up by \$158M to account for the overexpenditure in that year.
- For FY 2026-27, HCPF expenditures were adjusted up by \$443M to account for the increased expenditure over its FY 2026-27 appropriation, based on HCPF's current, preliminary forecast.
- For FY 2027-28, HCPF expenditures were estimated to be \$417M higher than the FY 2026-27 expenditures, based on HCPF's current, preliminary forecast. Additionally, State GF was assumed to be 4.4% higher than the FY 2026-27 appropriation.

	HCPF GF	State GF	% State GF
FY 2012-13	\$1,847,607,793	\$7,590,614,383	24.3%
FY 2013-14	\$2,067,258,413	\$8,348,395,679	24.8%
FY 2014-15	\$2,352,444,300	\$9,019,729,762	26.1%

FY 2015-16	\$2,500,140,061	\$9,490,664,282	26.3%
FY 2016-17	\$2,629,494,550	\$9,954,584,603	26.4%
FY 2017-18	\$2,810,881,032	\$10,612,639,141	26.5%
FY 2018-19	\$2,957,484,523	\$11,432,795,023	25.9%
FY 2019-20	\$2,974,355,707	\$12,023,509,078	24.7%
FY 2020-21	\$2,814,512,212	\$11,181,560,116	25.2%
FY 2021-22	\$3,058,051,411	\$12,247,130,064	25.0%
FY 2022-23	\$3,652,118,890	\$13,524,194,163	27.0%
FY 2023-24	\$4,467,260,980	\$14,159,954,031	31.5%
FY 2024-25	\$5,183,938,664	\$15,861,773,126	32.7%
FY 2025-26	\$5,909,956,762	\$17,176,443,745	34.4%
FY 2026-27	\$6,464,660,541	\$17,461,279,123	37.0%
FY 2027-28	\$6,881,760,541	\$18,229,575,404	37.8%