

Publications

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Colorado Budget Cuts Hit Home for Medicaid Providers

Key Takeaways

- Colorado’s new budget law and executive order impose immediate Medicaid reimbursement cuts and reinstate prior authorization and claim review requirements.
- Providers should prepare for increased oversight from HCPF, including audits, recoupments, and stricter coverage determinations.
- Implementation begins September 1, 2025, leaving little time for providers to adjust operations and compliance processes.

On August 28, 2025, Governor Polis signed SB25B-001 – the primary bill resulting from the special session of the Colorado legislature. The session, convened on August 21, was called for the express purpose of addressing Colorado budget shortfalls arising from the federal spending legislation signed by President Trump earlier in July. The outcome of the federal legislation included a reduction of more than \$1.2 billion in State revenue, and Colorado law requires a balanced budget.

SB25B-001, directs the Governor to balance the budget, and gives the Governor’s office the authority to “suspend or discontinue, in whole or in part, the functions or services of any department, board, bureau, or agency of the state government by Executive Order if the Governor determines there are not, or will not be, sufficient revenue available for expenditure during the fiscal year to carry on the functions of State government and to support its agencies and institutions.”¹ The same day Governor Polis signed this bill, he released Executive Order D 2025-14, which outlines the various cost cutting measures the State of Colorado will take, effective as of **September 1, 2025**.

The news is particularly bleak for Colorado health care providers, as the specific cuts include:

Related People

- Ryan B. Thurber
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Related Capabilities

- Health Care

Dept	Description	Savings	Notes
DOC	Right-sizing Transgender Healthcare Appropriation.	-\$3,681,100	Right-sizes the appropriation based on actual spending and anticipated future need with no cut to services.
HCPF	Accountable Care Collaborative (ACC) Incentive Reduction	-\$750,000	Reduces payments to providers and Regional Accountable Entities for meeting performance outcomes.
HCPF	Adjust Community Connector rate to align with similar services	-\$3,000,000	Adjust rates to align with similar services
HCPF	Adjust pediatric behavioral therapy rates to 95% of the benchmark based on updated, current average rates	-\$2,720,223	Reduces provider rates to reflect updated data from a benchmark analysis and adjust rates to 95% of the updated benchmark.
HCPF	Behavioral Health Incentive Reduction	-\$3,000,000	Reduces payments to providers and Regional Accountable Entities for meeting performance outcomes for behavioral health.
HCPF	Continuous Coverage End	-\$5,613,712	Ends provisions for continuous coverage for children to age 3, to align with expected loss of federal matching dollars
HCPF	Definitive Drug Testing	-\$1,719,785	Implements prior authorization for utilization exceeding 16 tests per year, to align with best practice
HCPF	Eliminate Cover All Coloradans Outreach	-\$131,250	Eliminates funds for outreach with no reduction to services

HCPF	Eliminate the nursing facility's minimum wage payment	-\$4,359,961	Eliminates supplemental payments as the prevailing minimum wage has increased above \$15/hr
HCPF	Immigrant Family Planning Reduction	-\$500,000	Reduces a historically underspent appropriation with no expected impact to services
HCPF	Implement pre- and post-claim review of all pediatric autism behavioral therapy codes	-\$7,000,000	Reviews pediatric autism behavioral health therapy codes to address recent dramatic increase in utilization
HCPF	Reduce dental provider rates	-\$2,500,000	Reduces FY 2024-2025 dental rate increase by 44%
HCPF	Reduce Individual Residential Services and Supports (IRSS) rate to align with host home rate	-\$1,450,279	Aligns rates for similar services provided under IRSS and host home rates
HCPF	Reduction to the Access Stabilization Payments	-\$1,500,000	Reduces payments to rural, small, and pediatric providers that do not receive cost-based reimbursements as part of the Accountable Care Collaborative.
HCPF	Reinstate prior authorization of outpatient psychotherapy for services that exceed clinical best practices	-\$6,120,810	Reinstates prior authorization to align utilization with best practices for outpatient psychotherapy services
HCPF	Rollback FY 2024-25-26 1.6% provider rate increase	-\$38,277,175	Maintains provider rates at the FY 2024-25 level by rolling back the 1.6% increase.
HCPF	SBIRT grants: Reduce training grants for screening and interventions related to substance	-\$500,000	Reduces SBIRT grants by 33%
CDHS	Mental Health Hospitals Personal Services Reduction	-\$1,709,355	Reduces General Fund for costs that can be supported by existing patient revenue. Therefore, it will not impact programs in this fiscal year.
CDPHE	Health Disparities Grant Reduction	-\$2,000,000	Reduces grant funds by 31%
CDPHE	Reduce Distributions to Local Public Health Agencies (LPHAs)	-\$3,000,000	Reduces appropriation to LPHAs while still keeping it higher than historical levels

All told, Colorado health care providers bear \$89,533,650 of the total budget adjustments. Behavioral health, developmental disability, and dental providers will see the most specific impacts, but all Medicaid providers will lose the benefit of the modest 1.6% increase in payments slated for this fiscal year.

Providers should also be aware that some of the projected savings come in the form of increased oversight from HCPF and other government agencies that could result in recoupment of funds already paid or in additional difficulty in obtaining coverage for services. For example, the Governor anticipates \$7,000,000 in budget savings through the implementation of pre- and post-claim review of all pediatric autism therapy codes, another \$1,700,000 in savings by implementing prior authorization requirements for definitive drug testing, and an additional \$6,000,000 in savings from the reintroduction of prior authorization requirements for outpatient psychotherapy services.

With the September 1 effective date, providers across the board will see delays and cuts in payment almost immediately. Prior authorization and claim review components may take longer to implement, but providers should begin planning for compliance with these new requirements now.

Polsinelli is continuing to monitor program updates for more specific information, particularly implementation guidance and/or rulemaking from HCPF. We are also analyzing the impact of these cuts under federal and state law, particularly with respect to

Colorado's ability to maintain its obligations under its Medicaid State Plan and related waiver programs and its obligation to ensure parity between behavioral health and physical health benefits.

Please contact a member of Polsinelli's Denver-based Health Care team if you have any questions.

[1] Executive Order D2025-014 at 2. The full text of the Executive Order, along with the letter to the Joint Budget Committee detailing the specific cuts and cost saving measures, is available at <https://leg.colorado.gov/sites/default/files/letter-08-28-25.pdf>.