



# The One Big Beautiful Bill Act & Colorado's Medicaid Program

The One Big Beautiful Bill Act (OBBBA) makes significant changes to Medicaid eligibility, financing, and provider payments. Expansion states, such as Colorado, will face some of the steepest effects, especially around work requirements and stricter limits on provider taxes and hospital payment structures.

## Work Requirements

OBBBA creates a new community engagement (work) requirement for most adults. People enrolled in Colorado's Medicaid (Health First Colorado) expansion group must complete at least 80 hours per month of work, education, job training, or qualifying community service to enroll and remain eligible.

Several groups are excluded from new work requirements, including individuals with disabilities, pregnant people, parents or caregivers of a disabled child, veterans with total disability ratings, those participating in substance abuse treatment programs, those already meeting work requirements for TANF or SNAP, and Native American or Alaskan Native residents.

## Cost-Sharing

Beginning October 1, 2028, Colorado must charge cost-sharing of up to \$35 per service for certain expansion group adults with incomes between 100% and 138% of the federal poverty level. The total cost-sharing amount may not exceed 5% of a covered family's annual income.

Health First Colorado does not currently impose broad cost-sharing requirements; however, it does charge a copay for certain emergency room visits.

## Retroactive Coverage

For most Medicaid programs, OBBBA shortens retroactive coverage from up to 3 months before application to 2 months before the month of application for children, adults aged 65 and older, and individuals with disabilities, and to 1 month for the expansion population.

## Eligibility Review

Starting January 1, 2027, the expansion population must complete eligibility renewals every 6 months, rather than every 12 months. American Indian and Alaska Native members are exempt from this requirement. The law also delays federal streamlining rules intended to simplify renewals for Health First Colorado and Child Health Plan Plus (CHP+). It adds new checks for duplicate enrollment, address changes, and death records.

## Qualified Immigrants

Under OBBBA, only lawful permanent residents, certain Cuban and Haitian immigrants, and migrants from the Compact of Free Association (COFA) remain in the “qualified immigrant” category. Beginning October 1, 2026, certain abused spouses and children, asylees, refugees, trafficking survivors, and humanitarian parolees will no longer qualify for Health First Colorado or CHP+.

## Provider Taxes and State-Directed Payments

The OBBBA makes significant changes to Medicaid funding with provider taxes and state-directed payment (SDP) programs. The changes begin in FY 2028 and will be phased in over a 10-year period.

**Provider tax rate:** OBBBA limits Colorado’s ability to use provider fees to finance Medicaid and other health affordability efforts. As of July 2025, states are prohibited from establishing any new Medicaid provider fees and, except for nursing facility fees, from increasing the rates of existing fees above the levels in place when the bill was signed. Colorado’s hospital provider fee is already at the 6% of net patient revenue maximum.

Beginning in FY 2028, OBBBA also lowers Colorado’s provider fee cap by 0.5 percentage points per year until it reaches 3.5%, resulting in a reduction of approximately \$575 million in Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) provider fee revenue by roughly \$900 million to \$2.5 billion in federal matching funds over five years.

**Hospital state-directed payments:** Under OBBBA, expansion states, such as Colorado, will begin phasing down their commercial rate-based payment structure in FY 2028, reducing allowable payment ceilings by 10 percentage points of the commercial rate each year until they meet Medicare rate limits.

On June 27, Colorado submitted SDP proposals for inpatient and outpatient hospital services (including psychiatric hospitals) and for physician services at Denver Health through Denver Health Medicaid Choice. If CMS approves them, Colorado will draw federal matching funds at the higher payment rates until the required phase-down to Medicare rates begins in FY 2028.

## Emergency Medicaid Match Reduction

Starting October 1, 2026, the federal match rate for Emergency Medicaid services provided to non-citizens who would otherwise qualify for Health First Colorado’s expansion group will drop to the regular Medicaid Federal Medical Assistance Percentage (FMAP).

## Federal Payments to “Prohibited Entities”

For one year following enactment (July 4, 2025 – July 4, 2026), federal Medicaid funds may not be paid to certain nonprofit family planning providers that offer abortion services and deliver family planning or reproductive health services to Medicaid members.

During Colorado’s August 2025 special session, the legislature passed SB 25B-002 (State-Only Funding for Certain Entities), creating a state-only funding source so Colorado can continue reimbursing Planned Parenthood and other “prohibited entities” if federal funds are cut off. After a federal judge lifted an injunction protecting the federal match on September 11, the state began using these state-only dollars to maintain access to critical primary care and family planning services while litigation continues.

## Rural Health Funding

OBBBA creates a **\$50 billion Rural Health Transformation Program** to support rural healthcare access, infrastructure, and workforce. The program provides \$10 billion annually from FY 2026 through FY 2030, distributed to states with approved rural health transformation plans. States that applied are expected to receive about \$100 million per year in baseline funding, with the potential for additional competitive dollars based on rural needs and the strength of each state’s plan.

The Colorado Department of Health Care Policy & Financing (HCPF) has submitted its plan to CMS. It is expected to receive an award notice by December 31. If approved, Colorado plans to invest in evidence-based prevention and chronic disease management, consumer health and IT tools, stronger regional partnerships among rural providers, recruiting and retaining clinicians to serve rural communities, “right-sizing” rural care delivery, and innovative care and payment models.