Letter Addendum: The Impact of Republican Medicaid Proposals on Colorado

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The foundational role of Medicaid in Colorado's health system

As in all states, Medicaid is Colorado's largest single source of health coverage. For reference, we estimate, based on state caseload reports—even with numbers depressed due to PHE Unwind problems—that 20% of Coloradans received their health insurance coverage through Medicaid as of December 2024. This includes approximately 80,000 seniors, 97,000 people with disabilities, 430,000 income-eligible children, 327,800 adults covered through the Affordable Care Act (ACA) expansion, 181,300 low-income parents, and 28,400 pregnant people.[1] Medicaid is also the largest single source of federal funds for states, with Colorado receiving an estimated $8.2 billion dollars for Medicaid in 2024.[2]

Colorado's Medicaid program currently faces challenges

TABOR restrictions pose particular challenges. TABOR's goal to constrain the growth of government is inconsistent with national trends in health care costs, which rise faster than TABOR allows our state budget to grow. Those constraints also violate the principle underlying entitlement programs, like Medicaid, which are designed to expand to cover the changing needs of Coloradans, whether during a pandemic or an economic downturn. It is currently difficult for the state to maintain its share of Medicaid funding, let alone backfill the federal dollars that would be lost under the changes being discussed by Republicans in the House and Senate.

Colorado's benefits infrastructure is dysfunctional. After the PHE continuous coverage requirements ended in spring 2023, approximately 575,000 Coloradans lost Medicaid. Thousands were erroneously removed from Medicaid due to issues with notices, processing delays, and errors in the Colorado Benefits Management System (CBMS). These problems put Colorado within the top 8 states for the number and rate of disenrollments from Medicaid during this period.[3] Despite our growing population, Colorado's enrollment fell to worse-than pre-

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[1] Colorado Department of Health Care Policy and Financing. (2025). *FY2024-2025 Member Premiums, Expenditures and Caseload Reports*. https://hcpf.colorado.gov/sites/hcpf/files/2025%20January%2C%20Joint%20Budget%20Committee%20Monthly%20Premiums%20Report.pdf; Orris, A. & Lukens, G. (2024, December 13). Medicaid Threats in the Upcoming Congress. *Center on Budget and Policy Priorities (CBPP)*. https://www.cbpp.org/research/health/medicaid-threats-in-the-upcoming-congress .

[2] State Expenditure Report (2024). *2024 State Expenditure Report: Medicaid Tables*. https://www.nasbo.org/reports-data/state-expenditure-report.

[3] Kaiser Family Foundation. (2025, January 8). Medicaid Enrollment and Unwinding Tracker. https://www.kff.org/report-section/medicaid-enrollment-and-unwinding-tracker-unwinding-data-archived/.

pandemic levels for core populations, with 83,000 fewer children and parent caretakers enrolled in December 2024 than in February 2020.[4]

Steep coverage losses are causing the safety net to fray. Denver Health, for example, reported a 10% increase in uncompensated care costs over the past year, amounting to $155.5 million in losses. Colorado hospitals report seeing a 50% increase in uninsured patients seeking emergency room care.[5] A mid-year survey by Colorado's Federally Qualified Health Centers showed a 21.7% growth in uninsured patients.[6] Safety net clinics that may be a rural area's sole source of care report laying off staff and planning for the possibility they will have to close their doors.[7]

Work Requirements

Not only have previous attempts to institute work requirements in other states failed to result in increased employment or reductions in state spending,[8] but such requirements are extremely likely to result in thousands of Coloradans—both employed and unemployed—losing health coverage.

The existing administrative burdens involved in enrolling in or renewing Medicaid coverage in Colorado have already been found to result in steep coverage losses.[9] Work requirements would add to those administrative burdens, jeopardizing the well-being of some of our most vulnerable residents, and increase costs for the state, counties, providers, and individuals. Medicaid's central objective is to cover people who lack income and resources; work requirements are inconsistent with that goal.[10]

Work requirements in Medicaid stem, in part, from a fundamental misconception about the employment status of Medicaid enrollees. In fact, nearly two-thirds (64%) of Medicaid recipients

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[4] Colorado Department of Health Care Policy and Financing. (2025). Premiums, Expenditures and Caseload Reports. https://hcpf.colorado.gov/budget/FY-Premiums-Expenditures-Caseload-Reports

[5] Colorado Hospital Association. (2024). October 2024 Update to Policy-Makers: Colorado's Safety Net Crisis & Medicaid Disenrollment. https://cha.com/wp-content/uploads/2024/10/Save-our-Safety-Net-10-21-24.pdf.

[6] Colorado Hospital Association. (2024).

[7] Boyd, S. (2025, January 22). Financial crisis looms for dozens of primary care and behavioral health clinics in Colorado. *CBS News*. https://www.cbsnews.com/colorado/news/financial-crisis-looms-primary-care-behavioral-health-clinics-colorado/.

[8] Wething, H. (2024). Work requirements for safety net programs like SNAP and Medicaid: A punitive solution that solves no real problem. *Economic Policy Institute*. https://www.epi.org/publication/snap-medicaid-work-requirements/#full-report.

[9] Bichal, R.E. (2024, July 11). Colorado Dropped Medicaid Enrollees as Red States Have, Alarming Advocates. *KFF Health News*. https://kffhealthnews.org/news/article/colorado-medicaid-unwinding-blue-red-states/.

[10] Rosenbaum, S. (2018, July 2). Medicaid Work Requirements: Inside the Decision Overturning Kentucky HEALTH's Approval. https://www.healthaffairs.org/content/forefront/medicaid-work-requirements-inside-decision-overturning-kentucky-health-s-approval.

are employed either full-time (44%) or part-time (20%).[11] However, these individuals are often employed in low-wage sectors, such as retail, caregiving, and food service, where pay is low, shifts are unpredictable, and employer-provided health benefits are scarce or nonexistent. Of those receiving Medicaid who are not employed, most face substantial barriers to employment, such as caregiving responsibilities, illness or disability, or enrollment in school. Indeed, only an estimated 2% of Medicaid recipients report unemployment due to an inability to find work.

Nonetheless, estimates indicate that hundreds of thousands of Coloradans would be negatively affected by work requirements. Although most enrollees either work or would qualify for an exemption due to disability or caregiving responsibilities, the additional administrative burden and red tape for both enrollees and county eligibility staff would jeopardize coverage. Using June 2024 enrollment data, one source estimates that nearly 47% of Colorado's Medicaid enrollees—542,000 individuals—are at risk of losing coverage if work requirements are implemented.[12] Adding the complexity of work requirements to an already overburdened and error-prone system would exacerbate issues that the state is already struggling to mitigate this session.[13]

Moreover, work requirements have consistently failed to produce the employment gains or cost savings their proponents claim.[14] For example, a Congressional Budget Office (CBO) report on work requirements found no meaningful increase in employment rates.[15] Instead, the policy imposed significant administrative expenses on the state, negating any purported savings.

On the other hand, a 2016 report from the Colorado Health Institute found that Medicaid, and the Medicaid expansion in particular, had a positive effect on Colorado's economy. The state's GDP was estimated to be $8.53 billion larger by 2034/35 as a result of then-Governor Hickenlooper's decision to expand Medicaid coverage.[16]

Per Capita Caps and Block Grants

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[11] Lukens, G., (2024, November 12). Research Note: Most Medicaid Enrollees Work, Refuting Proposals to Condition Medicaid on Unnecessary Work Requirements. *CBPP*. https://www.cbpp.org/research/health/most-medicaid-enrollees-work-refuting-proposals-to-condition-medicaid-on.

[12] Lukens, G. & Zhang, E. (2025, January 16). Medicaid Work Requirements Could Put 36 Million People at Risk of Losing Health Coverage. *CBPP*. https://www.cbpp.org/research/health/medicaid-work-requirements-could-put-36-million-people-at-risk-of-losing-health.

[13] Department of Health Care Policy and Financing (2025-26). *R-07 County Administration and CBMS Enhancements*. https://hcpf.colorado.gov/sites/hcpf/files/FY%202025-26%20R-07%20County%20Admin%20and%20CBMS%20Enhancements%20-%20R.pdf, retrieved Jan 26, 2025.

[14] *See, e.g.,* Sommers et al., (2020). Medicaid Work Requirements In Arkansas: Two-Year Impacts On Coverage, Employment, And Affordability Of Care. *Health Affairs*, *39*(9), 1522-1530.

[15] Congressional Budget Office. (2022, June 9). Work requirements and work supports for recipients of means-tested benefits. https://www.cbo.gov/publication/57702.

[16] Brown, C., Fisher, S. & Resnick, P. (2016). Assessing the Economic and Budgetary Impact of Medicaid Expansion in Colorado: FY 2015-16 through FY 2034-35. *Colorado Health Foundation*. https://coloradohealth.org/sites/default/files/documents/2017-01/Medicaid_Expansion_Full_ONLINE_.PDF.

Republican proposals for per capita caps would radically change the way Medicaid operates and is funded. Depending on the proposal, the CBO estimates a per capita cap on Medicaid spending could cut federal funding for Medicaid by $588 billion to $893 billion over the next nine years. [17] Furthermore, per capita caps do not capture the geographic differences in the costs of providing coverage through Medicaid across our 64 counties. Average per member per month costs were as much as 40% higher than the state average in some counties.[18] Eleven of the 18 counties with higher per capita costs were in rural parts of the state.

Other Republican proposals would transform Medicaid into a block grant-funded program. Rather than funding costs flexibly to meet need, Congress would distribute a fixed pot of money to states based on a formula. Depending on the specifics of the block grant, the CBO estimates total federal spending on Medicaid would decline by $459 billion to $742 billion over nine years—sums that state governments would need to backfill in order to prevent cuts to services or enrollment.[19] We note that Rhode Island's quasi-block-grant structure is generously funded and – unlike current block proposals and TANF – is designed to be adjusted upward as need requires.[20]

A block grant approach would open the door for states to voluntarily choose not to fund a health insurance program for low-income individuals at all. Alternatively, states may choose to hoard their Medicaid block grant dollars, like they do with TANF funds.[21] As the Temporary Assistance to Need Families (TANF) program demonstrates, block grants are described as a way to increase state flexibility, but tend to decrease transparency and accountability for how states spend their block grants.

Changes to Federal Match

Two changes to the federal match have been proposed, both of which would prove disastrous for Colorado. The first is a proposal to reduce the federal match of adults enrolled in Medicaid due to the ACA expansion from 90% to 50% in Colorado. That change would require Colorado to increase its spending on Medicaid by 400% to maintain existing coverage.[22] The cost to the

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[17] Congressional Budget Office (2024, December 12). Options for Reducing the Deficit: 2025-2034. https://www.cbo.gov/publication/60557.

[18] Colorado Center on Law and Policy (2024). *Colorado Center on Law and Policy Analysis of Colorado Department of Health Care Policy and Financing County Fact Sheets (2023/24).* https://hcpf.colorado.gov/county-fact-sheets.

[19] Congressional Budget Office. (2024).

[20] Cross-Call, J. (2017, March 3). Rhode Island No Model of How Block Grant Would Work in States. *CBPP.* https://www.cbpp.org/blog/rhode-island-no-model-of-how-medicaid-block-grant-would-affect-states.

[21] A 2021 article published by ProPublica found that state were sitting on $5.2 billion of unspent TANF funds. *See,* Dreyfus, H., (2021, December 29). States Are Hoarding $5.2 Billion in Welfare Funds Even as the Need for Aid Grows. *ProPublica*. https://www.propublica.org/article/states-are-hoarding-52-billion-in-welfare-funds-even-as-the-need-for-aid-grows.

[22] Orris, A. & Lukens, G. (2024, December 13). Medicaid Threats in Upcoming Congress. *CPBB.* https://www.cbpp.org/research/health/medicaid-threats-in-the-upcoming-congress.

state of providing care to expansion adults would increase by over $1 billion in 2025, an amount that would increase year over year as health care costs continue to grow.

In the current budget context, with Colorado already struggling to cut $750 million from our state budget this year, an additional $1 billion in cuts would decimate vital programs and services elsewhere in the budget or end coverage for the 327,800 Coloradans who receive Medicaid through the ACA expansion.[23]

Other proposals by Republicans would remove or lower the federal match floor for other populations. With Colorado's match currently at that 50% floor, removal is estimated to result in the state's share of Medicaid costs increasing by $789 million.[24] We would see a similar increase if in addition to being removed, the federal match was reduced from 50% to 40%. Taking this policy with one to reduce the federal match for expansion adults, Colorado could see our state costs for our Medicaid program increase by over $1.7 billion.

Colorado's Ability to Cover Costs

Colorado is a wealthy state. Last year, Colorado could have covered some of the additional costs that these damaging proposals would cause, *if* the state were able to keep and spend the revenue collected by the state. Due to TABOR, Colorado instead refunded $1.4 billion back to taxpayers in 2024 that could have been invested in programs and infrastructure. TABOR limited our budget growth to $724.9 million between 2024 and 2025—not enough to cover the additional state costs that would result from these proposals, even if we spent every new dollar on Medicaid, ignoring other state needs and priorities, such as K-12 public education.[25]

[23] Legislative Council Staff. (2024, December). Economic & Revenue Forecast. https://leg.colorado.gov/sites/default/files/images/dec2024forecastwithcover_accessible.pdf
[24] Orris, A. & Lukens, G. (2024).
[25] Legislative Council Staff. (2024).