# What the One Big Beautiful Bill Act (OBBBA) **Means for Medicaid in Colorado**

President Donald Trump signed **H.R. 1: The One Big Beautiful Bill Act** (OBBBA) into law on July 4, 2025.[1] The OBBBA, also referred to as the new federal health care law, is a spending and tax law, passed through the reconciliation process, which extends the 2017 tax cuts and increases spending on border security, defense, and energy.

To offset these policy goals, the new law includes a $1 trillion reduction in federal health care spending over the next decade – **the largest cut to health care in history** – primarily targeting Medicaid and the Affordable Care Act (ACA) Marketplace[2].

The OBBBA inflicts irreparable harm to our health care system. The new law triggers an unprecedented cost shift to states and places a staggering 10 million people nationwide at risk of losing access to health insurance.[3] It will also lead to an extraordinary rise in uncompensated care, further straining our fragile safety net system. By dramatically reshaping the health care landscape, the OBBBA threatens the viability of our safety net providers, endangers the health and well-being of Coloradans, and jeopardizes the economic stability of the state.

## Impacts on Medicaid

Medicaid is a joint federal and state program that provides health coverage to approximately 1.3 million Coloradans — about one in five residents.[4] It is the single largest source of health coverage in the state. Medicaid covers low-income children and adults, pregnant individuals, older adults, individuals with disabilities, and other populations.

The OBBBA represents the most substantial cuts to Medicaid since the program's inception. Over time, these changes will profoundly affect Coloradans by:

- Creating a significant funding shortfall of at least $10 billion of federal funds over the next ten years;[5]
- Putting more than 400,000 Coloradans at risk of losing health care coverage;[6]
- Adding barriers to care for Medicaid members, including increased health care costs;
- Initiating an extraordinary cost shift to the state to implement these new requirements; and
- Increasing strain on hospitals, providers, and community resources due to uncompensated care.



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# Breaking Down **the OBBBA's Key Medicaid Provisions**

The new federal health care law encompasses a range of provisions that directly impact Medicaid members, health care providers, and Colorado's state budget. While not exhaustive, thethe following provisions represent a devastating setback for the health and well-being of Coloradans and people nationwide.

## Provisions Affecting the Medicaid Expansion Population

The policy changes below will impact 377,000 adults who have been able to access coverage under Medicaid expansion.[7] Medicaid expansion adults are aged 19 to 64, characterized by not having dependents, with incomes at or below 138% of the federal poverty level (FPL). Most provisions regarding eligibility specifically target this group of enrollees.

### Establishing Community Engagement Requirements

*(Effective December 31, 2026)*

- States must impose "community engagement" requirements, also known as work requirements, as a condition of eligibility for Medicaid coverage. To comply with this new requirement, individuals must work, volunteer, or attend school for at least 80 hours per month to maintain eligibility or earn more than the equivalent of 80 hours at the federal minimum wage (at least $580 per month).
- Several populations are exempt, including parents with children younger than 14, caretakers of those with disabilities, people with disabilities or who are medically frail, pregnant and postpartum people, and more.
- Members will be required to verify compliance with or exemption from the work requirement in at least one month out of the three preceding their initial Medicaid applications and at least one month between every regularly scheduled redetermination. States will have an opportunity to apply for a waiver to delay implementation until as late as December 31, 2028.
- The Colorado Department of Health Care Policy and Financing (HCPF) anticipates this provision's administrative costs could total more than $57 million each year and require counties to hire 3,700 new case managers across the state dedicated to this new provision.[8]

### Increasing Eligibility Redeterminations

*(Effective December 31, 2026)*

- States must conduct eligibility redeterminations at least every six months for Medicaid expansion adults instead of every 12 months.

### Restricting Retroactive Coverage

*(Effective January 1, 2027)*

- States must limit retroactive coverage to one month before application for Medicaid expansion adults and two months prior for traditional enrollees. Currently, states are required to provide Medicaid coverage for qualified medical expenses incurred up to 90 days prior to the date of application for coverage.

### Imposing Cost-Sharing on Certain Services

*(Effective October 1, 2028)*

- States must collect copays of up to $35 per service on Medicaid expansion adults with incomes 100-138% FPL. Cost-sharing was previously optional for states. States have the flexibility to set lower copays, but they must be above zero dollars. There are several exceptions to this requirement, including emergency care, family planning and pregnancy-related services, preventive care, primary care, mental health care, and substance use disorder treatment. Additionally, services provided by federally qualified health centers, behavioral health clinics, and rural health clinics are exempt from this provision. Out-of-pocket costs cannot exceed 5% of family income.

## Provisions Affecting Medicaid Funding

The new law significantly changes the funding mechanisms that nearly every state leverages to generate the non-federal share for Medicaid, bars reimbursement to certain provider entities, and modestly supports access to rural health care. These changes will impact providers and services available to all Coloradans enrolled in the program and could threaten the viability of our safety net, especially in rural areas.

### Limiting Provider Taxes

*(Upon Enactment and Beginning October 1, 2027)*

- States must not establish new provider taxes and must significantly reduce existing provider taxes. Provider taxes are an important financing tool that Colorado leverages to generate the state's share of Medicaid costs. States with existing provider taxes must gradually lower the amount they collect from 6% to 3.5% of net patient revenue beginning in fiscal year 2028 and ending in fiscal year 2032. In Colorado, provider taxes, also known as the Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) fee, are used to fund coverage for 427,000 Coloradans.[9] The CHASE fee supports low-income adults covered under Medicaid expansion, expanded CHP+ eligibility for kids and pregnant people, adults and children with disabilities covered by the Medicaid Buy-In program, and supplemental payments to hospitals, which help stabilize provider revenues and alleviate the financial burdens of caring for uninsured and publicly insured patients. Colorado could experience a reduction in federal funds tied to the provider fee, ranging from $900 million to $2.5 billion annually by fiscal year 2032.[10]

### Capping State Directed Payments

*(Upon Enactment)*

- States must significantly reduce state directed payments. State Directed Payments (SDPs) are another critical funding mechanism to support Medicaid providers. They function similarly to supplemental payments (financed by the CHASE fee in Colorado) but are delivered through managed care organizations and according to specific goals and metrics. The provision caps SDPs at 100% of the Medicare payment rates for expansion states and 110% for non-expansion states. SDPs were previously capped at the average commercial rate, which is much higher. Newly submitted SDPs cannot exceed the newly lowered rate, and existing or pending SDPs will be gradually phased down beginning in January 2028. Colorado does not currently have an SDP arrangement in place; however, in July, Colorado submitted its proposal to the Centers for Medicare & Medicaid Services (CMS) for approval.

### Defunding Planned Parenthood

*(Upon Enactment for One Year)*

- This provision prohibits payments to certain community providers offering family planning and reproductive health care services with significant Medicaid revenue. In Colorado, Planned Parenthood is the only affected provider. This prohibition was effective upon OBBBA's enactment for one year. There are ongoing legal challenges to this provision. Planned Parenthood of the Rocky Mountains (PPRM) can currently see Medicaid patients following legal action and a new law in Colorado; however, there have been significant interruptions to care in Colorado.

### Establishing the Rural Health Transformation Fund

*(Upon Enactment)*

- The new law also establishes a rural health transformation program to provide $50 billion in grants to states to help support rural health providers – 50% of the funds will be distributed among states equally and the other 50% will be distributed based on a state's rural population and rural health care needs. States can use funds to promote care interventions, pay for health care services, expand the rural health workforce, and provide technical or operational assistance aimed at system transformation.

## Provisions Affecting Immigrants

Despite claims during the OBBBA process, undocumented immigrants are not eligible for federally funded Medicaid coverage except under specific, limited, and legally defined circumstances. Lawfully present immigrants may be eligible for Medicaid, Children's Health Insurance Plan (CHIP), and other social services if they have a "qualified" immigration status and meet other eligibility requirements. The OBBBA restricts which lawful immigrant statuses are eligible for health coverage and limits federal dollars for hospitals that are required by law to provide health care to anyone, regardless of their immigration status.

### Narrowing Immigrant Eligibility for Health Care Services

*(Effective October 1, 2026)*

- The new law redefines who is considered a "qualified" immigrant, stripping away the ability to obtain coverage from populations such as refugees, individuals granted asylum, certain abused spouses and children, and certain victims of trafficking. The revised definition of qualified continues to include lawful permanent residents, certain Cuban and Haitian immigrants, Citizens of the Freely Associated States (COFA migrants) lawfully residing in the US, and lawfully residing children and pregnant adults who are covered under the Immigrant Children's Health Improvement Act (ICHIA) option, which Colorado has elected to cover.
- This does not impact coverage through Cover all Coloradans, which remains in place today.

### Limiting Matching Funds for Emergency Medicaid

*(Effective October 1, 2026)*

- Emergency Medicaid provides reimbursements to hospitals for the costs of emergency care provided to immigrants who would otherwise qualify for Medicaid except for their immigration status; this is essentially a very limited form of health coverage for emergency services only. The OBBBA limits matching payments for Emergency Medicaid to the state's match for traditional Medicaid populations, which for Colorado is 50%. Previously, some Emergency Medicaid patients would have qualified for the expansion population and been eligible for a 90% federal match.

Together, the changes and the spending cuts to Medicaid are a historic rollback of critical support for the most vulnerable Coloradans and health care providers. The scale of federal funding losses undoubtedly threatens the health and economic stability of individuals, families, and communities across the state. As Colorado faces difficult choices ahead, it is more important than ever to protect Medicaid – a lifeline for more than one million Coloradans.

If you have any additional questions, please contact us at **policy@coaccess.com.**

## Resources


[1]Congress.gov. "H.R.1 - 119th Congress (2025-2026): One Big Beautiful Bill Act." July 4, 2025. **congress.gov/bill/119th-congress/house-bill/1.**

[2]Congressional Budget Office. "Estimated Budgetary Effects of Public Law 119-21, to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Relative to CBO's January 2025 Baseline." July 21, 2025. **cbo.gov/publication/61570**

[3]Congressional Budget Office. "Estimated Budgetary Effects of Public Law 119-21, to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Relative to CBO's January 2025 Baseline." July 21, 2025. **cbo.gov/publication/61570**

[4]Colorado Health Care Policy & Financing. "CO Medicaid Insights & Potential Federal Medicaid Reduction Impact Estimate." July 2, 2025. **hcpf.colorado.gov/sites/hcpf/files/HCPF_CO_Medicaid_Insights_and_Potential_Federal_Reduction_Impacts_7-2.pdf**

[5]Office of State Planning and Budget, "Tax Policy Impacts from the Federal Reconciliation bill, H.R. 1." August 5. 2025. **leg.colorado.gov/sites/default/files/ospb-08-05-25.pdf**

[6]Colorado Health Care Policy & Financing, "H.R. 1 Provisions Impacting Colorado Medicaid." July 30, 2025. **leg.colorado.gov/sites/default/files/images/07.30.25_exec_committee_h.r._1_presentation_-_hcpf.pdf**

[7]Colorado Health Care Policy & Financing. "Medicaid Fact Sheet Work Requirements." April 16, 2025. **hcpf.colorado.gov/sites/hcpf/files/Work_Requirements_Fact_Sheet.pdf**

[8]Colorado Health Care Policy & Financing. "Medicaid Fact Sheet Work Requirements." April 16, 2025. **hcpf.colorado.gov/sites/hcpf/files/Work_Requirements_Fact_Sheet.pdf**

[9]Colorado Health Care Policy & Financing. "Provider Fee Medicaid Fact Sheet." May 22, 2025. **hcpf.colorado.gov/sites/hcpf/files/Colorado%20Medicaid%20Fact%20Sheet%20-%20Provider%20Fee%20-B.pdf**

[10]Colorado Health Care Policy & Financing. "CO Medicaid Insights & Potential Federal Medicaid Reduction Impact Estimate." July 2, 2025. **hcpf.colorado.gov/sites/hcpf/files/HCPF_CO_Medicaid_Insights_and_Potential_Federal_Reduction_Impacts_7-2.pdf**