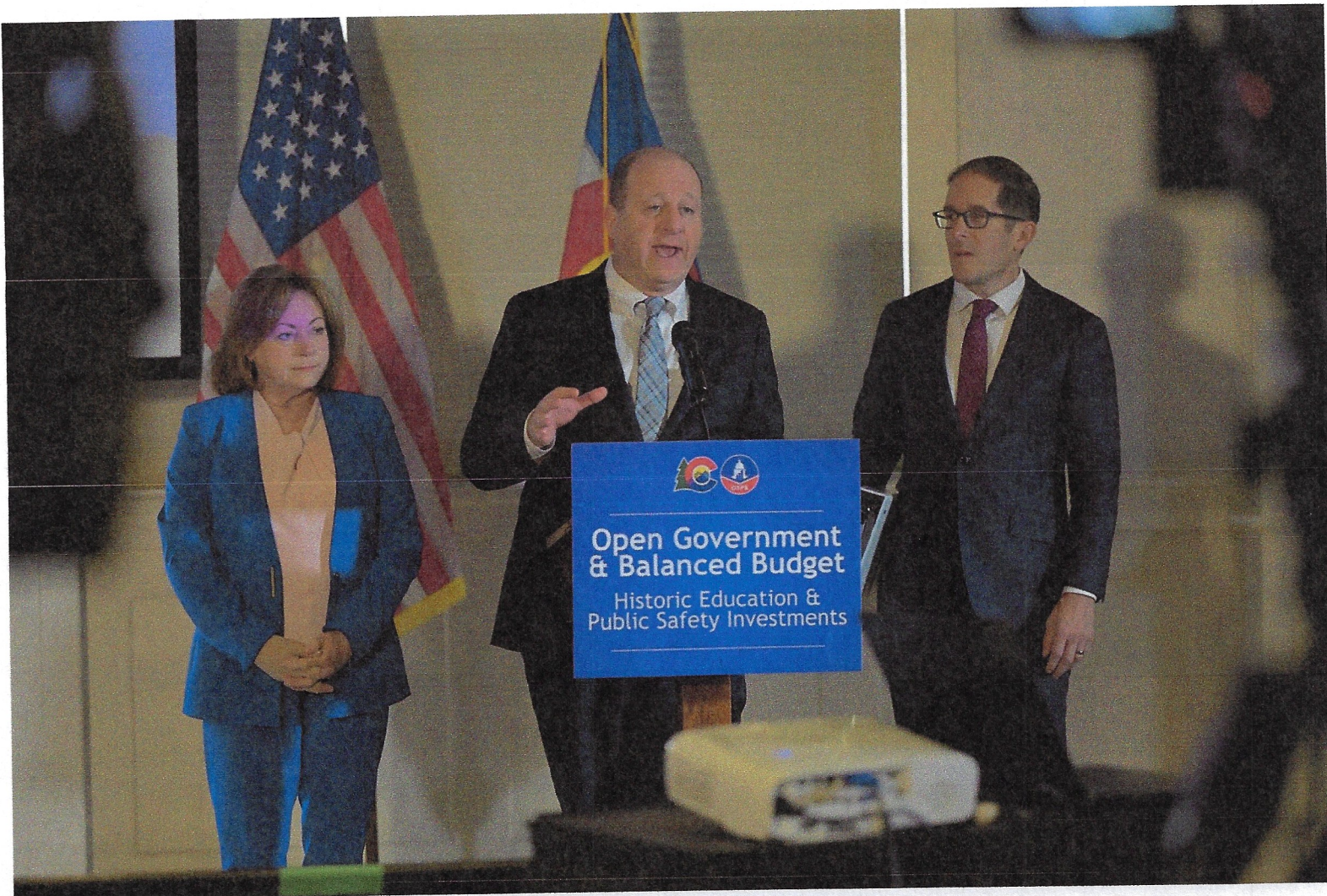


Polis' proposal takes aim at Medicaid spending

Plan eyes Pinnacol spin-off — again



Lt. Gov. Dianne Primavera, Gov. Jared Polis and Mark Ferrandino, right, director of the Office of State Planning and Budget, discuss Polis' budget proposal for the 2026-27 fiscal year at the Governor's Residence on Friday in Denver. HYOUNG CHANG — THE DENVER POST

BY NICK COLTRAIN

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In the last budget that Gov. Jared Polis will usher through from conception to enactment, the term-limited Democrat hopes to wrestle down rising Medicaid costs, he said Friday in unveiling his proposal.

It's a plan that proposes clamping down on dental benefits, requiring prior authorization for more services and making payment changes affecting home health services. Elsewhere, Polis hopes to revive his often-proposed — and never accepted by the legislature — idea of privatizing Pinnacol Assurance, the state's workers' compensation insurance program, to generate hundreds of millions of dollars.

Medicaid, which provides health insurance to low-income Coloradans, has been gobbling an increasingly large chunk of the overall state budget for years. It's growing at a rate that's double the overall spending growth allowed by the Taxpayer's Bill of Rights, or TABOR. Note

If left unchecked, Medicaid costs could end up dwarfing all other spending in the state in the next 15 years, leaving almost no money for any services that aren't directly related to education or health care, according to the governor's office.

"This gets worse if we don't fix it," Polis said Friday. Note

The governor's overall budget proposal for the 2026-27 fiscal year includes a total spending request of more than \$50.6 billion, up from \$48 billion in the current fiscal year, which goes through June 30. Most of that is spoken for as pass-through spending or other obligations.

The general fund, which covers most day-to-day spending, would grow from about \$18.2 billion to \$18.6 billion under Polis' proposal.

Polis' announcement of his proposal represents a starting point for the state's next spending plan, which will cover July 1, 2026, through June 30, 2027. He will unveil an amended proposal in January as the state updates economic projections. Note

Then the legislature will have its say, starting with the powerful Joint Budget Committee.

Four of the committee's six members are seeking higher office in the 2026 election, making this budget a declaration of political values that is even more pitched than usual. The legislature will vote on the final budget in the spring.

Note
Early forecasts have the body needing to make up a nearly \$1 billion gap — again — between planned spending and what the state is allowed to spend under the growth cap set by TABOR.

This tight budget year follows an August special session in which lawmakers needed to fill a \$783 million hole opened up in the current fiscal year by federal tax changes signed into law by President Donald Trump over the summer.

Medicaid

Polis said a key hope of his budget proposal is to bring growth in Medicaid spending in line with the overall growth in state spending allowed by TABOR.

Note
Over the past decade, the state constitution has limited total state spending to growth by an average 4.4% per year. Medicaid spending has grown at double that rate, 8.8%. In that period, general fund spending on Medicaid has grown from about \$2.4 billion to \$5.5 billion per year.

In his proposal, Polis would increase state Medicaid spending by about \$300 million. That increase alone represents more spending than several executive agencies' combined budgets — but would still be half as steep as Medicaid's projected growth without changes to the program. Note

Polis said he wants to lower overall spending on Medicaid services without touching how much individual providers are paid for services. Proposed changes include annual caps of \$3,000 on dental benefits, which Polis noted would be double the cap that existed in 2023; adding prior authorization to some services; and changing how payment is calculated for home health nursing and therapy services.

Several of those proposals are extensions of executive orders he issued to help shore up the most recent budget trouble in August.

"There have been a number of benefits that have been added (to Medicaid) in recent years, and some of those are not sustainable over time," Polis said.

His administration also has been working with national consultants to examine how Colorado's Medicaid spending has differed from national trends. That report should be available in the new year.

In another key element of his proposal, Polis is looking to restart a fight from last year over converting the state's quasi-governmental workers' compensation insurance program to a fully private enterprise.

Polis' office predicted the Pinnacol Assurance spin-off, if completed, would generate at least \$400 million for the state. About half of that would go to pay for the homestead property tax exemption, while the rest would go to state maintenance and to balance the budget.

Pinnacol acts as an "insurer of last resort" for employers in high-risk industries. The firm generally is not allowed to refuse to insure employers or cancel policies, but it can operate only within Colorado's borders.

Polis restarted the conversation last year with arguments that Pinnacol was hamstrung from competing in today's markets, where employers are less bound by state borders than ever. Turning the quasi-state agency into a private firm would also equal a payday for a cash-strapped state.

The effort petered out when the idea didn't win much traction during the legislative session — although Polis hinted later that he hadn't given up on the effort.

This year, Polis said the money would help the state keep its property tax break for certain long-term homeowners, known as the homestead exemption. The tax break is usually paid for using the state's TABOR surplus, but the state won't have one this year, Polis said.

"Nearly every other state has moved in this direction for reasons that are very important to employees and employers," Polis said. "For Pinnacol to be able to continue to serve as our insurer of last resort, we have to be able to allow them to write interstate business, to take some of the same steps that can reduce overhead and produce better value to employees that other states have done."

Opponents to the move worry that taking Pinnacol private would weaken protections for workers and employers in the state. The insurer essentially acts as a social safety net for industries that otherwise couldn't obtain coverage, they argued last year.

This year, opponents are warning that privatizing the insurer and taking a portion of the money — potentially hundreds of millions of dollars — would be unconstitutional because the money isn't the state's to take.

"Pinnacol's assets were built from employer premiums, not tax dollars," said Stephanie Tucker, an attorney and president of the Workers' Compensation Education Association, in a statement.

"These funds belong to the employers who paid premiums and (to) injured workers, not the state. Privatization without clear legal authority could result in years of litigation and uncertainty for both Pinnacol and the state of Colorado."

State officials have a different interpretation. The state "has an obligation" to get value for Pinnacol if it's spun off, Mark Ferrandino, the head of the Office of State Planning and Budgeting, said.

Polis said he's been briefed on the legal question, and his staff classified it as a "very low litigation risk."

