



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 26-1235: UPDATES TO MEDICAID

Prime Sponsors:

Rep. Feret
Sen. Daugherty

Fiscal Analyst:

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Published for: House Health & Human Services**Drafting number:** LLS 26-0390**Version:** Initial Fiscal Note**Date:** March 6, 2026**Fiscal note status:** This fiscal note reflects the introduced bill.

Summary Information

Overview. The bill makes several changes to the state's Medicaid program in the Department of Health Care Policy and Financing.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Expenditures

Appropriations. For FY 2026-27, the bill requires an appropriation of \$962,639 to the Department of Health Care Policy & Financing.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0
State Expenditures	\$1,036,572	\$884,633
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	3.3 FTE	4.0 FTE

Fund sources for these impacts are shown in the table below.

**Table 1A
State Expenditures**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	\$481,320	\$397,509
Cash Funds	\$0	\$0
Federal Funds	\$481,320	\$397,509
Centrally Appropriated	\$73,933	\$89,616
Total Expenditures	\$1,036,573	\$884,634
Total FTE	3.3 FTE	4.0 FTE

Summary of Legislation

The bill makes several changes to the state’s Medicaid program in the Department of Health Care Policy and Financing (HCPF).

Home- and Community-Based Services

Beginning January 1, 2027 and each year thereafter, a home- and community-based service (HCBS) agency must submit its medical loss ratio to HCPF, which must publish this data on the department’s website.

Reimbursement Reductions

The bill prohibits HCPF from implementing compound billing methodologies or multiple procedure payment reductions that would result in lower payments or reimbursements for outpatient therapy services.

Transportation Providers

By December 1, 2026 and each December thereafter, transportation brokers that administer nonemergency medical transportation (NEMT) to Medicaid members must report certain information to HCPF, including provider data, the number of grievances submitted, and disciplinary actions taken. Beginning January 1, 2027, HCPF must include this information in its annual SMART Act hearing with the General Assembly.

Community Engagement Requirements

By January 1, 2027, the State Board of Medical Services in HCPF must adopt rules to implement federal community engagement requirements.

Opioid Treatment Providers

Under current law, HCPF must reimburse an opioid treatment program that administers medication-assisted treatment in a jail setting. The bill modifies this provision by requiring the department to reimburse any provider who is licensed and authorized to prescribe, dispense, compound, or administer medication-assisted treatment in a jail setting.

State Medical Assistance and Services Advisory Council

The bill repeals in the State Medical Assistance and Services Advisory Council in HCPF.

Background and Assumptions

The state Medicaid program currently reimburses a wide range of therapy services, including physical therapy, occupational therapy, behavioral health therapy, music therapy, and more. The fiscal note assumes that prohibitions on certain billing methodologies for outpatient therapy services applies only to physical therapy, occupational therapy, and speech-language therapy. If the bill is interpreted to restrict reimbursement methodologies on all therapy services offered, costs will increase significantly.

State Expenditures

The bill increases state expenditures in HCPF by \$1.0 million in FY 2026-27 and \$885,000 in future years. These costs, split evenly between the General Fund and federal funds, are summarized in Table 2 and discussed below.

Table 2
State Expenditures
Department of Health Care Policy and Financing

Cost Component	Budget Year FY 2026-27	Out Year FY 2027-28
Personal Services	\$280,415	\$339,897
Operating Expenses	\$4,225	\$5,121
Capital Outlay Costs	\$28,000	\$0
Contractor Fees	\$650,000	\$450,000
Centrally Appropriated Costs	\$73,933	\$89,616
FTE – Personal Services	3.3 FTE	4.0 FTE
FTE – Legal Services	0.0 FTE	0.0 FTE
Total Costs	\$1,036,573	\$884,634
Total FTE	3.3 FTE	4.0 FTE

Department of Health Care Policy & Financing

HCPF will have staff and contractor costs beginning in FY 2026-27 to implement the HCBS data reporting and reimbursement requirements of the bill.

Staff

Beginning in FY 2026-27, HCPF requires 4.0 FTE Rate/Financial Analyst III to collect, review, and publish medical loss ratio from approximately 1,300 HCBS agencies. Staff are also responsible for developing rules, providing outreach and training, monitoring for compliance, resolving disputes and appeals, and validating data for publication. For context, the department currently uses about 0.4 FTE to review medical loss ratio from 15 Regional Accountable Entities each year. However, it is assumed that similar work for HCBS agencies can be streamlined. Staff costs and FTE are prorated in the first year based on the bill's effective date.

Contractor Fees

HCPF requires an estimated \$650,000 in FY 2026-27 and \$450,000 ongoing for a contractor to conduct rulemaking, develop the reporting system and template, and provide data validation and technical assistance. Costs are based on similar contracts for facility reporting processes. Actual costs will be determined through the procurement process.

Reimbursement Reductions

Given the assumptions discussed in the Background and Assumptions section, expenditures will minimally increase for the state Medicaid program to eliminate compound billing methodologies or multiple procedure payment reductions for outpatient hospital therapy services, which leads to higher reimbursement for these services in some situations. Because outpatient hospital settings are a small portion of total therapy utilization, it is estimated that any reimbursement cost increases as a result of the bill will be minimal and addressed through the annual budget process.

Centrally Appropriated Costs

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which may include employee insurance, supplemental employee retirement payments, indirect cost assessments, and other costs, are shown in Table 2 above.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2026-27, the bill requires an appropriation of \$962,639, split evenly between the General Fund and federal funds, to the Department of Health Care Policy and Financing, and 3.3 FTE.

State and Local Government Contacts

Behavioral Health Administration

Health Care Policy and Financing

Corrections

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).