



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 26-1412: HCPF STATISTICAL SAMPLING & EXTRAPOLATION

Prime Sponsors:

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Fiscal note status: The fiscal note reflects the introduced version of the bill, which was recommended by the Joint Budget Committee as part of the FY 2026-27 Long Bill budget package.

Summary Information

Overview. The bill allows HCPF to use statistical sampling and extrapolation to recover overpayments from claims for services provided since January 1, 2022, under select circumstances.

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

- State Revenue
- State Expenditures

Appropriations. For FY 2026-27, the bill requires and includes a net zero change in appropriations to the Department of Health Care Policy and Financing.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
State Revenue	\$13,723,550	\$18,298,040	\$4,574,510
State Expenditures	\$0	\$500,000	\$0
Transferred Funds	\$0	\$0	\$0
Change in TABOR Refunds	\$0	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE	0.0 FTE

Under the bill, increased Medicaid recoveries, shown as cash fund revenue in this fiscal note, are used to offset General Fund and federal fund costs for Medicaid. See the tables below for more information on fund sources.

**Table 1A
 State Revenue**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
General Fund	\$0	\$0	\$0
Cash Funds (Recoveries)	\$13,723,550	\$18,298,040	\$4,574,510
Total Revenue	\$13,723,550	\$18,298,040	\$4,574,510

**Table 1B
 State Expenditures**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
General Fund	-\$6,861,775	-\$8,649,020	-\$2,287,255
Cash Funds (Recoveries)	\$13,723,550	\$18,298,040	\$4,574,510
Federal Funds	-\$6,861,775	-\$9,149,020	-\$2,287,255
Centrally Appropriated	\$0	\$0	\$0
Total Expenditures	\$0	\$500,000	\$0
Total FTE	0.0 FTE	0.0 FTE	0.0 FTE

Summary of Legislation

Under current law and subject to available appropriations, HCPF audits a portion of claims paid to providers over a set period to determine whether claims were paid correctly and corrects any under or overpayments for the audited claims.

Under the bill, when conducting these audits on claims submitted by pediatric behavioral therapy or nonemergency medical transportation (NEMT) providers for services provided between January 1, 2022, and December 31, 2023, HCPF may find the statistical error rate for the audited claims, apply it to all claims made by that provider during the audit's time period, and correct for under- or over-payments based on this statistical average.

Additionally, if a provider has a pattern of incorrectly billed claims exceeding 10 percent, the bill allows HCPF to apply the statistical error rate to claims submitted after the audit's time period until December 31, 2025.

The bill establishes a procedure for the statistical sampling and extrapolation that includes notification requirements, an appeals process, and a review by the State Auditor.

State Revenue

The bill will increase state revenue through overpayment recoveries. Based on one recent audit of pediatric behavioral therapy claims, the fiscal note estimates that state revenue will increase by at least \$36.6 million over three years as discussed below. This revenue is not subject to TABOR.

HCPF currently has an appropriation to audit 17 percent of pediatric behavioral therapy claims made between January 2022 and December 2023. Based on the preliminary statistical error rate found in this audit, the fiscal note estimates that HCPF could recover an additional \$36,596,100 in overpayments by applying this error rate to all claims made by providers during the audit's time period. This estimate assumes that only 25 percent of estimated overpayments will be recovered. For reference, typically about 80 percent of overpayments estimated by the current claim by claim auditing methodology are recovered.

The fiscal note has not estimated the impact of applying this methodology to any other audits.

Table 2
State Revenue

Revenue Component	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
Overpayment Recoveries	\$13,723,550	\$18,298,040	\$4,574,510
Three-year Total			\$36,596,100

State Expenditures

The bill increases expenditures by \$500,000 in the Office of the State Auditor (OSA) and minimally increases workload in HCPF to apply the new auditing methodology. The OSA costs, paid from the General Fund, will occur every time an audit is conducted with this methodology. The fiscal note assumes one such audit will occur, affecting expenditures in FY 2027-28, but makes no assumptions about future audits. Additionally, the bill allows HCPF to offset General Fund and federal funds costs for Medicaid using increased recoveries, which results in a net zero impact to Medicaid expenditures. These impacts are discussed below.

Auditing Methodology

The OSA requires \$500,000 to review the statistical sampling and extrapolation methodology any time it is used by HCPF. As discussed in the state revenue section, the fiscal note identified one such audit that HCPF will conduct in FY 2026-27. The fiscal note assumes that OSA will review the audit in FY 2027-28, after HCPF has completed its work.

Additionally, workload will minimally increase for HCPF to apply statistical sampling and extrapolation methodology. Since HCPF will apply this methodology to audits that it will conduct with or without this bill, this impact is assumed to be minimal.

Recoveries Used to Offset Medicaid Costs

Medicaid recoveries will be used to offset Medicaid costs in HCPF paid from the General Fund and federal fund. Since the original claims received a 50 percent federal match, recovery cost offsets are also assumed to be split evenly between General Fund and federal funds. To the extent more or less recoveries are received under the methodology created by the bill, the exact amount of costs offset will vary.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature. However, Section 3 only takes effect if the Long Bill becomes law, with this section taking effect on the effective date of this bill or of the FY 2026-27 Long Bill, whichever is later.

State Appropriations

For FY 2026-27, the bill requires an includes a cash fund appropriation of \$13,723,550 to the Department of Health Care Policy and Financing and a corresponding reduction in appropriations of \$6,861,775 from the General Fund and \$6,861,775 from federal funds.

In addition, the bill includes technical language making these reductions in appropriations conditional on sufficient appropriations being available in the applicable line items in the FY 2026-27 Long Bill.

State and Local Government Contacts

Joint Budget Committee Staff

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](#).