



Fiscal Note

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HB 26-1328: MEDICAID NONEMERGENCY MEDICAL TRANSPORTATION

Prime Sponsors:

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Fiscal note status: The revised fiscal note reflects the introduced bill, as amended by the House Health and Human Services Committee.

Summary Information

Overview. The bill reclassifies and creates a new oversight structure for nonemergency medical transportation under Medicaid.

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 appropriation adjustments that result in a net zero impact 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
State Revenue	\$0	\$0
State Expenditures	\$0	\$0
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE

The bill decreases General Fund and cash funds spending, and increases federal funds spending, resulting in a net zero impact to state expenditures. These impacts are detailed in Table 1A below.

**Table 1A
 State Expenditures**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	-\$76,639	-\$156,927
Cash Funds	-\$20,941,853	-\$42,880,720
Federal Funds	\$21,018,492	\$43,037,647
Centrally Appropriated	\$0	\$0
Total Expenditures	\$0	\$0
Total FTE	0.0 FTE	0.0 FTE

Summary of Legislation

The bill reclassifies and creates a new oversight structure for nonemergency medical transportation (NEMT) under Medicaid.

Service Reclassification

To draw down additional federal funds, the bill requires the Medicaid program operated by the Department of Health Care Policy and Financing (HCPF) to reclassify NEMT services provided as a basic service for the categorically needy as medical services rather than administrative services. This change requires federal approval through a state plan amendment (SPA), and the bill requires HCPF to make any necessary changes to the NEMT program to obtain SPA approval.

Transportation Broker

Contract Phase-In

The bill requires the statewide transportation broker contract to be phased in one state region at a time and specifies that the contract cannot be considered phased in until demand for NEMT services is met, among other criteria. HCPF is required to promulgate rules and provide a toolkit for communication with Medicaid members at least 90 days prior to implementation the contract in their region.

Other Contract Requirements

The bill further specifies that the transportation broker will be responsible for:

- creating a network of NEMT providers;
- providing NEMT providers with any necessary trainings, technical support, and software;
- verifying Medicaid member service eligibility;
- scheduling NEMT trips; and
- processing NEMT provider payments.

The bill restricts what program rules the transportation broker may apply outside of those promulgated by HCPF.

HCPF Rulemaking

The bill requires HCPF to promulgate NEMT rules, in coordination with the newly created Transportation Community Advisory Board, and give 30-day's notice before implementing any rule change. HCPF may issue limited interim guidance without notice. These rules must, among other things:

- establish driver, vehicle, and transportation provider credentialing requirements;
- prohibit any policies that limit NEMT provider participation, unless imposed as a corrective action;
- require reasonable accommodation of member requests for alternate or specific providers;
- establish a complaint process that is subject to reporting requirements; and
- require transportation providers to maintain electronic trip records and video recordings, and establish policies related storage, access, retention, and deletion of video recordings.

Transportation Community Advisory Board

The bill requires HCPF's transportation broker to establish the Transportation Community Advisory Board in order to assist HCPF in promulgating rules for oversight of NEMT services. The board must meet quarterly, publish meeting minutes, and give opportunity for public comment. Board members must include specific stakeholders, who serve without compensation or reimbursement.

Eligibility Verification and Claim Denials

The bill requires the transportation broker or NEMT provider to verify a Medicaid member's eligibility for NEMT services during scheduling. If the member is later determined ineligible for NEMT services, the bill prohibits HCPF from denying the claim if the member was eligible for Medicaid and the provider acted in good faith and met all established procedural requirements. The bill requires HCPF to provide transportation providers with eligibility verification tools.

Background and Assumptions

Implementation Timeline

The fiscal note assumes that that the state plan amendment to reclassify NEMT services will be approved by January 1, 2027. However, implementation may be delayed past this date because approval times may vary and approval may be conditional on establishment of the statewide transportation broker, which has experienced delays in implementation since 2019 and may be further delayed by the requirements of the bill.

Contract Transportation Broker

HCPF currently contracts with a transportation broker for nine metropolitan counties and is in the process of amending the contract to serve the entire state.

NEMT Fraud

NEMT has experienced instances of fraud and improper payments within the state’s Medicaid program. Documented issues include billing for transportation services that were not provided, overstated mileage or trip distances, and claims submitted without sufficient documentation to support medical necessity or trip verification. In August 2021, a [performance audit](#) conducted by the Office of the State Auditor found that HCPF had not ensured that Medicaid NEMT was administered in line with federal and state requirements. In August 2023, monthly NEMT expenditures peaked at approximately \$43.0 million, largely driven by fraudulent billing.

The General Assembly has since appropriated funding to HCPF to investigate inefficiencies in the NEMT program and implement a new prepayment review process. Current NEMT expenditures are now around \$25 million per month. Between July 1, 2025, and November 1, 2025, HCPF realized about [\\$8.0 million in savings](#) from denials for improperly billed NEMT claims across 105 providers.

State Expenditures

By reclassifying services, the bill shifts costs in HCPF from General Fund and cash funds to federal funds, resulting in a net zero impact on state expenditures as shown in Table 2. Additionally, the bill may impact payment recovery from claim denials and codifies expenditures for HCPF’s work expanding the transportation broker contract statewide that is already in progress. These impacts are discussed below.

Table 2
NEMT Program Funding Source Shift

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	-\$76,639	-\$156,927
Cash Funds	-\$20,941,853	-\$42,880,720
Federal Funds	\$21,018,492	\$43,037,647
Net Impact	\$0	\$0

Service Reclassification

The bill requires the Medicaid program to reclassify NEMT services as medical services, rather than administrative services, when provided as a basic service for categorically eligible populations (see Technical Note). Administrative services receive a 50 percent federal match. Medical services, on average, receive a 65.19 percent federal match. Conditional on federal approval of the SPA, this change in the federal match rate will shift funding for the NEMT program as shown in Table 2. First-year cost shifts assume the SPA approval will occur January 1, 2027.

Claim Denial Restrictions

The bill may impact HCPF's ability to recover payments if claim investigations do not reveal direct evidence of rule violation or bad-faith claim submission. This potential impact has not been estimated and will be addressed through the annual budget process. The fiscal note assumes that HCPF will use the authority granted in the bill to issue limited interim guidance to promulgate fraud prevention rules and minimize this impact.

Transportation Broker Contract

HCPF is already in process of expanding the transportation broker contract statewide and making other changes to NEMT program. Given this, HCPF does not need additional appropriations to implement the changes required by the bill which would otherwise require contract and staffing costs.

Technical Note

The bill limits the NEMT expenditure reclassification to the population served by the basic service for the categorically needy program. Since this population can receive NEMT services through other Medicaid programs, the bill as written impacts services outside of the program which, due to interaction with federal law, increases expenditures by up to \$2.4 million. The fiscal note assumes the bill will be amended to specify that only the basic service for the categorically needy program is affected and there will be no net increase in expenditures.

Effective Date

The bill takes effect July 1, 2026.

State Appropriations

For FY 2026-27, the bill requires the following changes to appropriations in the Department of Health Care Policy and Financing which result in a net zero change:

- a decrease of \$76,639 from the General Fund;
- a decrease of \$20,941,853 from the Health Care Affordability and Sustainability Cash Fund; and
- an increase of \$21,018,492 from federal funds.

State and Local Government Contacts

Health Care Policy and Financing