

SB26-130: Medical Spas Deceptive Trade Practices

Introduction

Medical Spas ('med spas') operate at the intersection of healthcare and retail services. They offer treatments such as Botox, dermal fillers, and other procedures involving prescription drugs. Unlike traditional healthcare settings, these services are often marketed directly to consumers who may not have the technical knowledge to assess provider qualifications, drug sourcing or treatment risks. This creates a market environment where quality and safety are difficult for consumers to observe prior to treatment.

Senate Bill 26-130 addresses these concerns by classifying certain medical spa practices as deceptive trade practices under the Colorado Consumer Protection Act. Deceptive trade practices include obtaining prospective drugs from unauthorized sources, improper storage and handling, allowing unqualified individuals to administer treatments, making misleading claims about safety or effectiveness and failing to maintain adequate clinical oversight. This bill also requires reporting and recordkeeping of serious adverse events.

Consumers are unable to accurately assess the safety and legitimacy of medical spa services before purchase. In contrast, providers have significantly more information about their own practices. This can allow low-quality or non-compliant providers to operate without being fully disciplined by market forces. This can increase the risk of consumer harm.

This paper supports the adoption of SB26-130. The bill improves market outcomes by increasing accountability and reducing deceptive or unsafe practices in a setting where consumers cannot easily verify quality. It does so with minimal expected fiscal impact. This makes the bill a relatively low-cost intervention to address a clear market failure.

Analysis

Colorado currently has approximately 1,935 medical spas operating within the State (Smartscraper, 2026). These facilities provide a range of treatments including injectable treatments such as Botox and dermal fillers. They also provide other procedures involving prescription drugs and medical grade equipment (Indianapolis Star, 2020).

These services are less invasive than traditional medical care. However, they still carry meaningful clinical risks if performed incorrectly or using improperly sourced products.

There are also negative externalities associated with unsafe or low-quality treatments. Improperly administered injectables or contaminated products can lead to infections or complications (Levy & Emer, 2012) (Alnuqaydan, 2024). These require corrective medical treatment from the broader healthcare system. These costs are not fully borne by the provider at the time of service. This creates a divergence between private and social costs. It results in an inefficiently high level of risk in the market.

Specifically, cosmetic procedures offered at these medical spas are credence goods. Credence goods are goods and services whose sellers determine consumer needs (Wolinsky, 1995). In these markets, consumers cannot determine provider quality until after treatment. As a result, consumers may base decisions on price, convenience or marketing rather than actual safety or clinical standards (American Medical Spa Association, 2024).

Information asymmetry is therefore present in this market. While information asymmetry is present in many markets, it becomes inefficient when it allows providers to misrepresent safety or quality.

This creates the potential for adverse selection by allowing low-quality providers to remain in the market and distort market competition. Lower cost providers may cut corners on

drug sourcing, staff qualifications or clinical oversight. This allows them to offer cheaper services.

As customers cannot easily distinguish between high and low-quality providers, these lower quality firms may not be driven out of the market (Chen et al., 2025). Over time this can reduce overall market quality and increase the likelihood of harm. This is especially prevalent in a setting where quality is not directly observable until after a procedure.

Med spas are currently regulated through a combination of medical licensing requirements and general consumer protection laws. Physician oversight is required for the use of prescription drugs (Portrait, 2025). Furthermore, procedures must be performed within defined scopes of practices (Lengea Law, 2026).

However, there are limitations in existing regulatory enforcement. While licensing requirements and medical standards already exist, enforcement is often fragmented or reactive (FSMB, 2024). Consumers are unlikely to report issues unless harm has already occurred.

In response, the Colorado Department of Regulatory Agencies have conducted targeted investigations into medical spa practices since 2024 (West, 2025). This indicates growing regulatory concern within the sector.

Policy analysis

SB26-130 aims to improve accountability within the medical spa market. Much of the conduct targeted by the bill is already prohibited under consumer law, particularly the Colorado Consumer Protection act. However, enforcement in this area is often fragmented and dependent on interpretation (Lengea Law, 2026).

The bill does not introduce entirely new enforcement powers. Instead it clarifies and standardizes what constitutes deceptive or unsafe practices within the medical spa context.

Clearer standards make it easier for regulators to identify violations and act on them. This increases the likelihood that violations are identified and successfully addressed.

Subsequently, providers have stronger incentives to follow appropriate standards. The bill raises the effective private cost of risky behavior (Becker, 1968). Furthermore, it brings it closer to the true social cost of risk.

The policy also helps address adverse selection. Lower quality providers are currently able to compete by reducing costs in ways that are not visible to consumers (Akerlof, 1970). The policy reduces this advantage by making non-compliant behavior more costly and more likely to be detected.

As a result, competition shifts towards observable factors such as service quality, qualifications and reputation. Over time, this is likely to improve overall market composition by reducing the presence of providers operating below acceptable standards (Wolinsky, 1995).

However the policy primarily operates through deterrence rather than direct prevention. It increases accountability after unsafe behavior has occurred. It does not fully eliminate the information asymmetry faced by consumers prior to treatment. Patients may still struggle to identify high-quality providers before making decisions. This is particularly evident in a market where marketing and branding remain strong signals.

Conclusion

The medical spa market currently exhibits clear risks due to limited transparency around treatment. Customers are often unable to accurately assess treatment quality, allowing low quality providers to stay in the market. This increases the likelihood of harm and creates cost beyond the initial transaction.

SB26-130 addresses these issues by improving how existing rules are applied. It makes unsafe practices easier to identify and act on. This strengthens accountability and encourages providers to meet appropriate standards.

However, the policy does not fully eliminate the underlying information asymmetry faced by consumers. Consequentially, some level of risk will remain within the market. Despite this limitation, SB26-130 represents a targeted and relatively low-cost intervention that improves market efficiency and consumer protection. For these reasons, it should be incorporated into Colorado health and human services policy.

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