



Memorandum

To: Joint Budget Committee Members
From: Michelle Curry, JBC Staff (303-866-2062)
Date: March 31, 2026
Subject: Potential Legislation Packet 17

If the Committee would like to approve a bill draft for introduction, the motion should include:

- Approve for introduction in the House as a JBC bill LLS 25-XXXX;
- When the bill should be run (with the Long Bill package or otherwise);
- Prime sponsors and co-sponsors; and
- Grant staff permission to make technical changes.

Each individual item has page numbers, but also a packet page number (P-XXX) to help navigate the whole document. The page numbers below refer to the packet page number that begins with a “P”.

Potential Legislation

Human Services – Emily Pope

LLS 26-0855 Subsidy Limits in Assistance Programs for ChildrenP-1

Governor – Andrew McLeer

LLS 26-0957 Pay for Success Program RepealP-7

LLS 26-0985 Repeal Decarbonization Tax Credits Admin FundP-10

Health Care Policy and Financing – Eric Kurtz

LLS 26-0978 HCPF Statistical Sampling and ExtrapolationP-17



Memorandum

To: Joint Budget Committee
 From: Emily Pope, JBC Staff (303-866-4961)
 Date: March 31, 2026
 Subject: LLS 26-0855 Adoption and Relative Guardianship Cost Controls

The Committee approved legislation to limit payments for adoption and relative guardianship assistance, and remove case services from the entitlement. The attached bill draft limits monthly subsidy payments as follows:

- **Adoption:** 50.0% of foster care for youth ages 0-8, 55.0% of foster care for youth ages 9-13, and 60.0% for youth 14 and older.
- **Guardianship:** 60.0% of foster care of youth ages 0-8, 65.0% of foster care for youth ages 9-13, and 70.0% for youth 14 and older.

The Committee approved legislative changes because the FY 2026-27 General Fund appropriation reflects an increase of 112.3 percent since FY 2022-23. Total caseload has not changed significantly in this timeframe. The Long Bill includes an increase of \$27.2 million total funds, including \$14.6 million General Fund for adoption and relative guardianship assistance. The bill is expected to reduce expenditures as provided in the table below.

FY 2026-27 Fiscal Impact

Item	Total Funds	General Fund	Local Funds	Federal Funds
Limit adoption subsidies	\$1,613,654	\$817,857	\$634,034	\$161,763
Limit guardianship subsidies	237,176	120,153	93,258	23,765
Remove case services	6,347,884	3,823,455	672,022	1,852,407
Total	\$8,198,714	\$4,761,465	\$1,399,314	\$2,037,935

Monthly subsidies are currently determined by a standardized assessment and must be lower than foster care rates by federal law. Federal law prohibits means testing for benefits. The Department estimates that 24.1% (2,507) of adoptive families and 40.6% (269) guardianship families are currently receiving monthly subsidies above the caps implemented by the bill.

Estimated Adoptive Families Above Caps

Age	Total Clients	Clients Above Cap	Percent
0-8	3,149	1,543	49.0%
9-13	3,412	659	19.3%
14+	3,840	305	7.9%
Total	10,401	2,507	24.1%

Estimated Guardianship Families Above Caps

Age	Total Clients	Clients Above Cap	Percent
0-8	190	119	62.6%
9-13	225	83	36.9%
14+	248	67	27.0%
Total	663	269	40.6%

A summary of national adoption assistance payments found that the maximum rate in Colorado may exceed the next highest state by \$522 per month.¹ Payments range in Colorado based on child and family circumstances, while many other states have a set rate. Therefore, the actual payments made in Colorado may still be lower than other states, but no state has a higher maximum payment. This also indicates that payment methodologies in other states may not be sensitive to child and family needs.

¹ [Families Rising Summary of State Adoption Assistance Programs.](#)

Second Regular Session
Seventy-fifth General Assembly
STATE OF COLORADO

DRAFT
3/30/26

DRAFT

LLS NO. 26-0855.02 Lindy Schaible x4215

COMMITTEE BILL

Joint Budget Committee

BILL TOPIC: Subsidy Limits in Assistance Progs for Children
DEADLINES: File by: 3/26/2026

A BILL FOR AN ACT

101 **CONCERNING REDUCING MONTHLY SUBSIDY REIMBURSEMENT**
102 **PERCENTAGES FOR CHILD WELFARE SERVICES PROVIDER**
103 **CONTRACTS, AND, IN CONNECTION THEREWITH, REDUCING AN**
104 **APPROPRIATION.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov/>.)

Joint Budget Committee. The bill specifies monthly subsidy payment reimbursement limits for the adoption assistance program and the relative guardianship assistance program that apply to contracts that

*Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words indicate deletions from existing law.*

take effect July 1, 2026, or later.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, 26-5-104, **amend**
3 (1)(b) as follows:

4 **26-5-104. Funding of child welfare services provider contracts**
5 **- funding mechanism review - fund - report - rules - definitions.**

6 (1) **Reimbursement.**

7 (b) (I) The state department shall reimburse the county
8 departments ninety percent of the amounts expended by county
9 departments for adoption and relative guardianship assistance and is
10 authorized to make an expenditure in excess of appropriations pursuant
11 to section 24-75-109 (1)(b). The adoption and relative guardianship
12 assistance programs are exempt from the close-out process described in
13 subsection (7) of this section and the capped allocation described in
14 subsection (3) of this section. NOTWITHSTANDING THIS SUBSECTION
15 (1)(b)(I), THE REIMBURSEMENT RATES SET FORTH IN SUBSECTIONS
16 (1)(b)(II) AND (1)(b)(III) OF THIS SECTION APPLY TO NEGOTIATIONS AND
17 CONTRACTS THAT TAKE EFFECT JULY 1, 2026, OR LATER.

18 (II) FOR THE ADOPTION ASSISTANCE PROGRAM, MONTHLY SUBSIDY
19 PAYMENTS MUST NOT EXCEED:

20 (A) FIFTY PERCENT OF FOSTER CARE RATES FOR YOUTH WHO ARE
21 UNDER NINE YEARS OLD;

22 (B) FIFTY-FIVE PERCENT OF FOSTER CARE RATES FOR YOUTH WHO
23 ARE NINE YEARS OLD OR OLDER BUT UNDER FOURTEEN YEARS OLD; AND

24 (C) SIXTY PERCENT OF FOSTER CARE RATES FOR YOUTH WHO ARE
25 FOURTEEN YEARS OLD OR OLDER.

1 (III) FOR THE RELATIVE GUARDIANSHIP ASSISTANCE PROGRAM,
2 MONTHLY SUBSIDY PAYMENTS MUST NOT EXCEED:

3 (A) SIXTY PERCENT OF FOSTER CARE RATES FOR YOUTH WHO ARE
4 UNDER NINE YEARS OLD;

5 (B) SIXTY-FIVE PERCENT OF FOSTER CARE RATES FOR YOUTH WHO
6 ARE NINE YEARS OLD OR OLDER BUT UNDER FOURTEEN YEARS OLD; AND

7 (C) SEVENTY PERCENT OF FOSTER CARE RATES FOR YOUTH WHO
8 ARE FOURTEEN YEARS OLD OR OLDER.

9 (IV) EFFECTIVE JULY 1, 2026, SERVICES, AS DEFINED IN SECTION
10 26-7-102 (10), ARE NOT REIMBURSABLE EXCEPT FOR NONRECURRING
11 ADOPTION EXPENSES DESCRIBED IN SECTION 26-7-106 (2)(c).

12 **SECTION 2. Appropriation - adjustments to 2026 long bill.**

13 (1) Except as provided in subsection (4) of this section, to implement this
14 act, the general fund appropriation made in the annual general
15 appropriation act for the 2026-27 state fiscal year to the department of
16 human services for adoption and relative guardianship assistance is
17 decreased by \$4,761,465.

18 (2) The cash funds appropriation made in the annual general
19 appropriation act for the 2026-27 state fiscal year to the department of
20 human services for adoption and relative guardianship assistance is
21 decreased by \$857,550. This appropriation is from local funds and is
22 subject to the "(I)" notation as defined in the annual general appropriation
23 act for the same fiscal year.

24 (3) The federal funds anticipated to be received for the 2026-27
25 state fiscal year by the department of human services for adoption and
26 relative guardianship will decrease by \$2,580,449. This figure is subject
27 to the "(I)" notation as defined in the general appropriation act for the

1 same fiscal year.

2 (4) Subsection (1) of this section does not require a reduction of
3 an appropriation in the annual general appropriation act for the 2026-27
4 state fiscal year if:

5 (a) The amount of the general fund appropriation made in the
6 annual general appropriation act for the 2026-27 state fiscal year to the
7 department of human services for adoption and relative guardianship
8 assistance is less than the amount of the adjustment required in subsection
9 (1) of this section; or

10 (b) The annual general appropriation act for the 2026-27 state
11 fiscal year does not include an appropriation to the department of human
12 services for adoption and relative guardianship assistance.

13 **SECTION 3. Effective date.** This act takes effect upon passage;
14 except that section 2 of this act takes effect only if the annual general
15 appropriation act for the 2026-27 state fiscal year becomes law, in which
16 case section 2 takes effect upon the effective date of this act or of the
17 annual general appropriation act for state fiscal year 2026-27, whichever
18 is later.

19 **SECTION 4. Safety clause.** The general assembly finds,
20 determines, and declares that this act is necessary for the immediate
21 preservation of the public peace, health, or safety or for appropriations for
22 the support and maintenance of the departments of the state and state
23 institutions.

Second Regular Session
Seventy-fifth General Assembly
STATE OF COLORADO

DRAFT
3/30/26

DRAFT

LLS NO. 26-0957.01 Jed Franklin x5484

COMMITTEE BILL

Joint Budget Committee

BILL TOPIC: Pay For Success Program Repeal

A BILL FOR AN ACT

101 **CONCERNING THE REPEAL OF THE PAY FOR SUCCESS CONTRACTS**
102 **PROGRAM.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov/>.)

Joint Budget Committee. Currently, the office of economic development (office) administers a pay for success contracts program (program) by entering into agreements with lead contractors for the provision of program-eligible interventions.

Currently, the office uses money in the pay for success contracts fund (fund) and the office of state planning and budgeting youth pay for

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Dashes through the words indicate deletions from existing law.*

success initiatives account within the fund (account) to make payments to a lead contractor for managing the program and for any administrative expenses incurred with respect to an agreement related to the program. The office also uses money in the account for specified projects. The bill requires the state treasurer to transfer all of the money in the fund and the account to the general fund on June 30, 2026, and repeals the program, the fund, and the account on July 1, 2026.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, 24-37-403, **amend**
3 (6)(b); and **add** (9) as follows:

4 **24-37-403. Establishment of state pay for success contracts**
5 **program - pay for success contracts fund - creation - repeal.**

6 (6) (b) (I) Interest and income earned on the deposit and
7 investment of money in the fund is credited to the fund; except that
8 interest and income earned on the deposit and investment of money in the
9 account is credited to the account. Subject to annual appropriation by the
10 general assembly, the office shall expend money in the fund and in the
11 account to make payments to the lead contractor as required by a contract
12 and to pay any administrative expenses incurred in connection with a
13 contract. The office shall expend money in the account solely for the
14 programs listed in section 24-37-404, but the department of human
15 services may expend any money appropriated to it from the account for
16 personal services and operating expenses related to the administration of
17 any contract.

18 (II) ON JUNE 30, 2026, THE STATE TREASURER SHALL TRANSFER
19 THE BALANCE OF MONEY IN THE ACCOUNT AND THE MONEY IN THE FUND
20 TO THE GENERAL FUND.

21 (9) THIS SECTION IS REPEALED, EFFECTIVE JULY 1, 2026.

22 **SECTION 2. Safety clause.** The general assembly finds,

1 determines, and declares that this act is necessary for the immediate
2 preservation of the public peace, health, or safety or for appropriations for
3 the support and maintenance of the departments of the state and state
4 institutions.

Second Regular Session
Seventy-fifth General Assembly
STATE OF COLORADO

DRAFT
3/31/26

DRAFT

LLS NO. 26-0985.01 Rebecca Bayetti x4348

COMMITTEE BILL

Joint Budget Committee

BILL TOPIC: Repeal Decarbonization Tax Credits Admin Fund

A BILL FOR AN ACT

101 **CONCERNING THE REPEAL OF THE DECARBONIZATION TAX CREDITS**
102 **ADMINISTRATION CASH FUND.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov/>.)

Joint Budget Committee. On July 1, 2026, the bill repeals the decarbonization tax credits administration cash fund (fund), which is subject to annual appropriation to the department of revenue and the Colorado energy office to pay for the direct and indirect costs associated with the implementation and administration of various decarbonization tax credits. The bill also makes conforming amendments.

*Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words indicate deletions from existing law.*

The bill takes effect only if House Bill 26- becomes law, which transfers the unexpended and unencumbered balance of the fund to the general fund on June 30, 2026. <{*The bill summary will be updated with the bill number of the cash fund-to-general fund transfers bill.*}>

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, 24-38.5-120, **amend**
3 (3); and **repeal** (1)(c), (2), (3.5), (4), and (5) as follows:

4 **24-38.5-120. Decarbonization tax credits administration cash**
5 **fund - definitions - repeal.**

6 (1) As used in this section, unless the context otherwise requires:

7 (c) "Fund" means the ~~decarbonization tax credits administration~~
8 ~~cash fund created in subsection (2) of this section.~~

9 (2) ~~The decarbonization tax credits administration cash fund is~~
10 ~~hereby created in the state treasury. The fund consists of money credited~~
11 ~~to the fund pursuant to section 39-29-108 (2)(c)(I) and any other money~~
12 ~~that the general assembly may appropriate or transfer to the fund.~~

13 (3) (a) ~~Subject to annual appropriation by the general assembly,~~
14 ~~For state fiscal years 2023-24 through 2034-35, THE GENERAL ASSEMBLY~~
15 ~~MAY APPROPRIATE MONEY TO the office and the department may expend~~
16 ~~money from the fund for THE direct and indirect costs associated with the~~
17 ~~implementation and administration of the decarbonization tax credits.~~

18 (b) (I) ~~Money in the fund may also be used to repay administrative~~
19 ~~costs to the respective cash funds. The state treasurer shall transfer money~~
20 ~~from the fund in the amount attributable to administrative costs to the~~
21 ~~respective cash funds so that all administrative costs are repaid to the~~
22 ~~respective cash funds on or before June 29, 2024.~~

23 (H) ~~As used in this subsection (3)(b), unless the context otherwise~~

1 requires:

2 (A) ~~"Administrative costs" means the amount of money expended~~
3 ~~from the respective cash funds by the office and the department for the~~
4 ~~administration and implementation of certain income tax credits, as~~
5 ~~provided for in sections 24-38.5-116 (6)(b)(II), 24-38.5-118 (7)(d),~~
6 ~~24-38.5-506 (2)(b), and of the temporary specific ownership tax rate~~
7 ~~reduction for electric medium-duty and heavy-duty trucks that are part of~~
8 ~~a fleet as provided for in section 25-7-1405 (2)(b).~~

9 (B) ~~"Respective cash funds" means the industrial and~~
10 ~~manufacturing operations clean air grant program cash fund created in~~
11 ~~section 24-38.5-116 (6), the geothermal energy grant fund created in~~
12 ~~section 24-38.5-118 (7), the community access to electric bicycles cash~~
13 ~~fund created in section 24-38.5-506, and the electrifying school buses~~
14 ~~grant program cash fund created in section 25-7-1405.~~

15 (3.5) (a) ~~On January 1, 2026, the state treasurer shall transfer two~~
16 ~~million five hundred thousand dollars from the fund to the energy and~~
17 ~~carbon management cash fund created in section 34-60-122 (5).~~

18 (b) ~~This subsection (3.5) is repealed, effective July 1, 2026.~~

19 (4) ~~The state treasurer shall transfer all unexpended and~~
20 ~~unencumbered money in the fund on June 30, 2024, June 30, 2025, and~~
21 ~~June 30, 2026, to the general fund; except that the balance of money~~
22 ~~remaining in the fund not including expended and encumbered money~~
23 ~~shall not be less than three hundred thousand dollars.~~

24 (5) ~~Notwithstanding subsection (4) of this section, on July 1,~~
25 ~~2036, the state treasurer shall transfer all money in the fund to the general~~
26 ~~fund.~~

27 **SECTION 2.** In Colorado Revised Statutes, 24-38.5-116, **amend**

1 (6)(b)(II) as follows:

2 **24-38.5-116. Industrial and manufacturing operations clean**
3 **air grant program - creation - eligibility - fund created - gifts, grants,**
4 **or donations - transfer - legislative declaration - definitions -**
5 **reporting - repeal.**

6 (6) **Fund.**

7 (b) (II) For state fiscal years 2023-24 and 2024-25, the office and,
8 subject to annual appropriation, the department of revenue may expend
9 money from the fund for the administration and implementation of the
10 industrial clean energy tax credit created in section 39-22-551 and the tax
11 credit for sustainable aviation fuel production facility created in section
12 39-22-556. The office shall keep an accounting of all money expended
13 from the fund pursuant to this subsection (6)(b)(II). ~~for purposes of~~
14 ~~calculating the repayment of the administrative costs required by section~~
15 ~~24-38.5-120 (3)~~

16 **SECTION 3.** In Colorado Revised Statutes, 24-38.5-118, **amend**
17 (7)(d) as follows:

18 **24-38.5-118. Geothermal energy grant program - creation -**
19 **procedures - fund - report - definitions - legislative declaration -**
20 **repeal.**

21 (7) **Fund.**

22 (d) For state fiscal years 2023-24 and 2024-25, the office and,
23 subject to annual appropriation, the department of revenue may expend
24 money in the fund for the administration and implementation of the tax
25 credit for expenditures made in connection with a geothermal energy
26 project created in section 39-22-552, the geothermal electricity generation
27 production tax credit created in section 39-22-553, and the heat pump

1 technology and thermal energy network tax credit created in section
2 39-22-554. The office shall keep an accounting of all money expended
3 from the fund pursuant to this subsection (7)(d). ~~for purposes of~~
4 ~~calculating the repayment of the administrative costs required by section~~
5 ~~24-38.5-120 (3)~~

6 **SECTION 4.** In Colorado Revised Statutes, 24-38.5-506, **amend**
7 (2)(b) as follows:

8 **24-38.5-506. Community access to electric bicycles cash fund**
9 **- creation - gifts, grants, or donations - transfer - repeal.**

10 (2) (b) For state fiscal years 2023-24 and 2024-25, the office and,
11 subject to annual appropriation, the department of revenue may expend
12 money in the fund for the administration and implementation of the
13 electric bicycle tax credit created in section 39-22-555. The office shall
14 keep an accounting of all money expended from the fund pursuant to this
15 subsection (2)(b). ~~for purposes of calculating the repayment of the~~
16 ~~administrative costs required by section 24-38.5-120 (3)~~

17 **SECTION 5.** In Colorado Revised Statutes, 25-7-1405, **amend**
18 (2)(b) as follows:

19 **25-7-1405. Electrifying school buses grant program cash fund**
20 **- creation - gifts, grants, and donations - transfer - repeal.**

21 (2) (b) For state fiscal years 2023-24 and 2024-25, and subject to
22 annual appropriation, the Colorado energy office, created in section
23 24-38.5-101, and the department of revenue may expend money from the
24 fund for the administration and implementation of the innovative motor
25 vehicles and innovative trucks tax credits created in sections 39-22-516.7
26 and 39-22-516.8 and for the specific ownership tax rate reduction for
27 electric medium-duty and heavy-duty trucks that are part of a fleet as set

1 forth in section 42-3-107 (1)(a)(IV). The office shall keep an accounting
2 of all money expended from the fund pursuant to this subsection (2)(b).
3 ~~for purposes of calculating the repayment of the administrative costs~~
4 ~~required by section 24-38.5-120 (3)~~

5 **SECTION 6.** In Colorado Revised Statutes, 34-60-122, **repeal**
6 (5)(f) as follows:

7 **34-60-122. Expenses - energy and carbon management cash**
8 **fund created - repeal.**

9 ~~(5) (f) (F) On June 30, 2025, the state treasurer shall transfer two~~
10 ~~million five hundred thousand dollars from the energy and carbon~~
11 ~~management cash fund to the decarbonization tax credits administration~~
12 ~~cash fund created in section 24-38.5-120 (2).~~

13 ~~(H) This subsection (5)(f) is repealed, effective July 1, 2026.~~

14 **SECTION 7.** In Colorado Revised Statutes, 39-29-108, **amend**
15 (2)(b); and **repeal** (2)(e) as follows:

16 **39-29-108. Allocation of severance tax revenues - definitions**
17 **- repeal.**

18 (2) (b) Except as set forth in ~~subsections (2)(d) and (2)(e)~~
19 SUBSECTION (2)(d) of this section, of the total gross receipts realized from
20 the severance taxes imposed on minerals and mineral fuels under the
21 provisions of this article after June 30, 2017, fifty percent shall be
22 credited to the state severance tax trust fund created by section 39-29-109,
23 and fifty percent shall be credited to the local government severance tax
24 fund created by section 39-29-110.

25 ~~(e) (F) For the state fiscal years 2023-24 through 2026-27, the state~~
26 ~~treasurer shall credit the discrete increased amount of severance tax for~~
27 ~~oil and gas production that is attributable to the reduction of the credit~~

1 against tax pursuant to section 39-29-105 (2)(b)(II) to the decarbonization
2 tax credits administration cash fund created in section 24-38.5-120 (2);
3 except that, for state fiscal years 2024-25 and 2025-26, money credited
4 to the decarbonization tax credits administration cash fund shall not
5 exceed the net revenue from the oil and gas severance tax collection.

6 ~~(H) Repealed.~~

7 ~~(HH) As used in this subsection (2)(c), unless the context otherwise~~
8 ~~requires:~~

9 ~~(A) Repealed.~~

10 ~~(B) "Discrete increased amount of severance tax for oil and gas~~
11 ~~production" means the amount of tax collected that is attributable to a~~
12 ~~twelve and one-half percent reduction in the severance tax credit for oil~~
13 ~~and gas production set forth in section 39-29-105 (2)(b)(II) for tax years~~
14 ~~beginning on or after January 1, 2024, but before January 1, 2026.~~

15 ~~(C) Repealed.~~

16 ~~(IV) This subsection (2)(c) is repealed, effective December 31,~~
17 ~~2036.~~

18 **SECTION 8. Effective date.** This act takes effect only if House
19 Bill 26- becomes law, in which case this act takes effect upon passage
20 or on the effective date of House Bill 26- , whichever is later. <{*The*
21 *effective date clause will be updated with the bill number of the cash*
22 *fund-to-general fund transfers bill.*>

23 **SECTION 9. Safety clause.** The general assembly finds,
24 determines, and declares that this act is necessary for the immediate
25 preservation of the public peace, health, or safety or for appropriations for
26 the support and maintenance of the departments of the state and state
27 institutions.

Second Regular Session
Seventy-fifth General Assembly
STATE OF COLORADO

DRAFT
3/30/26

DRAFT

LLS NO. 26-0978.01 Shelby Ross x4510

COMMITTEE BILL

Joint Budget Committee

BILL TOPIC: HCPF Statistical Sampling & Extrapolation
DEADLINES: File by: 3/31/2026

A BILL FOR AN ACT

101 CONCERNING AUTHORIZING THE DEPARTMENT OF HEALTH CARE
102 POLICY AND FINANCING TO USE STATISTICAL SAMPLING AND
103 EXTRAPOLATION TO RECOVER OVERPAYMENTS TO PROVIDERS
104 FOR CERTAIN MEDICAID SERVICES, AND, IN CONNECTION
105 THEREWITH, MAKING AND REDUCING AN APPROPRIATION.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov/>.)

Joint Budget Committee. If the department of health care policy and financing (state department) initiates an audit of a medicaid provider

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Dashes through the words indicate deletions from existing law.*

after July 1, 2026, the state department is authorized to determine and recover an overpayment to a provider using statistical sampling and extrapolation if:

- A provider provides non-emergent medical transportation services;
- A provider provides pediatric behavioral therapy, including applied behavioral analysis; or
- The federal centers for medicare and medicaid services, the office of inspector general, the government accountability office, or another federal agency has completed an audit of Colorado's medicaid program and applied statistical sampling and extrapolation to determine an overpayment amount and provided notice to the state to return the federal share of the extrapolated overpayments.

The recovery audit contractor shall not use statistical sampling and extrapolation while conducting audits and reviews.

After the state department audits a provider, the state auditor's office is required to conduct an examination to determine that proper statistical sampling and extrapolation methods were used by the state department when determining whether an overpayment was made to a provider. The state auditor shall present a report of the findings to the legislative audit committee.

The bill reduces a general fund appropriation and increases a cash fund appropriation to the state department.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1. Legislative declaration.** (1) The general assembly
3 finds and declares that:

4 (a) The federal centers for medicare and medicaid services, the
5 office of inspector general, and other federal agencies regularly employ
6 statistical sampling and extrapolation methodologies to identify and
7 recover improper payments from the Colorado medicaid program
8 administered by the department of health care policy and financing, or
9 HCPF;

10 (b) Certain medicaid service areas, including nonemergency
11 medical transportation and pediatric behavioral therapy, such as applied

1 behavior analysis services, have been identified as having elevated rates
2 of improper billing, fraud, waste, and abuse, characterized by rapid
3 outsized spending growth not explained or supported by a corresponding
4 increase in the number of individuals served;

5 (c) Requiring HCPF to individually audit each claim submitted for
6 payment by a provider to determine the appropriate error rate and
7 overpayment recovery imposes an unrealistic and unsustainable
8 administrative burden;

9 (d) The inability for HCPF to audit every claim submitted by a
10 provider results in under-represented recoupments, recovery delays, and
11 increased risk for federal disallowance, which the state is solely
12 financially responsible for;

13 (e) Statistical sampling and extrapolation methodologies, when
14 applied consistently with recognized federal standards, provide a reliable
15 and efficient basis for overpayment recovery; and

16 (f) Granting HCPF the authority to use statistical sampling and
17 extrapolation across providers treating medicaid members for services
18 covered under the non-emergent medical transportation benefit and the
19 pediatric behavioral therapy benefit, including applied behavioral
20 analysis, will protect Colorado medicaid funds and the state general fund;
21 deter fraud, waste, and abuse and related practices; and align state
22 recovery practices with established federal methodologies and standards.

23 **SECTION 2.** In Colorado Revised Statutes, 25.5-4-301, **amend**
24 (3)(a)(VI) as follows:

25 **25.5-4-301. Recoveries - overpayments - penalties - interest -**
26 **adjustments - liens - review or audit procedures - cash fund - rules -**
27 **definitions.**

1 (3) (a) A review or audit of a provider is subject to the following
2 procedures:

3 (VI) (A) ~~Whenever possible, the reviewer or auditor shall base a~~
4 ~~determination of an overpayment to a provider upon a review of actual~~
5 ~~records of the department, its agents, or the provider. In the event~~
6 ~~sufficient records are not available to the reviewer or auditor, an~~
7 ~~overpayment determination may be based upon a sampling of records so~~
8 ~~long as the sampling and any extrapolation therefrom is reasonably valid~~
9 ~~from a statistical standpoint and is in accordance with generally accepted~~
10 ~~auditing standards.~~ IF THE STATE DEPARTMENT INITIATES AN AUDIT OF A
11 PROVIDER AFTER JULY 1, 2026, THE STATE DEPARTMENT IS AUTHORIZED
12 TO DETERMINE AND RECOVER AN OVERPAYMENT TO A PROVIDER USING
13 STATISTICAL SAMPLING AND EXTRAPOLATION IN ACCORDANCE WITH
14 SUBSECTION (3)(a)(VI)(B) OF THIS SECTION BY PARALLELING THE
15 METHODS USED BY FEDERAL AGENCIES, INCLUDING THE OFFICE OF
16 INSPECTOR GENERAL IN THE FEDERAL DEPARTMENT OF HEALTH AND
17 HUMAN SERVICES, THE GOVERNMENT ACCOUNTABILITY OFFICE, OR THE
18 FEDERAL CENTERS FOR MEDICARE AND MEDICAID SERVICES.

19 (B) STATISTICAL SAMPLING AND EXTRAPOLATION MAY BE USED IF
20 A PROVIDER PROVIDES SERVICES COVERED UNDER THE NON-EMERGENT
21 MEDICAL TRANSPORTATION SERVICES BENEFIT PURSUANT TO SECTION
22 25.5-1-802; IF A PROVIDER PROVIDES SERVICES COVERED UNDER THE
23 PEDIATRIC BEHAVIORAL THERAPY BENEFIT, INCLUDING, BUT NOT LIMITED
24 TO, APPLIED BEHAVIORAL ANALYSIS; OR IF THE FEDERAL CENTERS FOR
25 MEDICARE AND MEDICAID SERVICES, THE OFFICE OF INSPECTOR GENERAL,
26 THE GOVERNMENT ACCOUNTABILITY OFFICE, OR ANOTHER FEDERAL
27 AGENCY HAS COMPLETED AN AUDIT OF THE STATE MEDICAL ASSISTANCE

1 PROGRAM AND APPLIED STATISTICAL SAMPLING AND EXTRAPOLATION TO
2 DETERMINE AN OVERPAYMENT AMOUNT AND PROVIDED NOTICE TO THE
3 STATE TO RETURN THE FEDERAL SHARE OF THE EXTRAPOLATED
4 OVERPAYMENTS.

5 (C) THE RECOVERY AUDIT CONTRACTOR SHALL NOT USE
6 STATISTICAL SAMPLING AND EXTRAPOLATION WHEN CONDUCTING AUDITS
7 AND REVIEWS.

8 (D) AFTER THE STATE DEPARTMENT AUDITS A PROVIDER
9 PURSUANT TO THIS SUBSECTION (3)(a)(VI), THE STATE AUDITOR OR ANY
10 PERSON AUTHORIZED BY THE STATE AUDITOR SHALL CONDUCT AN
11 EXAMINATION IN ACCORDANCE WITH SECTION 2-3-103 TO DETERMINE
12 THAT THE STATE DEPARTMENT USED PROPER STATISTICAL SAMPLING AND
13 EXTRAPOLATION METHODS WHEN DETERMINING WHETHER AN
14 OVERPAYMENT WAS MADE TO A PROVIDER. THE STATE AUDITOR SHALL
15 PRESENT A REPORT OF THE FINDINGS TO THE LEGISLATIVE AUDIT
16 COMMITTEE. <{***Do you want to include this requirement that the OSA***
17 ***present the report to the JBC as well as LAC?***>

18 **SECTION 3. Appropriation - adjustments to 2026 long bill.**

19 (1) Except as provided in subsection (3) of this section, to implement this
20 act, the appropriation made in the annual general appropriation act for the
21 2026-27 state fiscal year to the department of health care policy and
22 financing for medical and long-term care services for Medicaid-eligible
23 individuals is adjusted as follows:

24 (a) The general fund appropriation is decreased by \$6,861,775,
25 which amount is subject to the "(M)" notation as defined in the annual
26 general appropriation act for the same fiscal year; and

27 (b) The cash funds appropriation from recoveries and

1 recoupments is increased by \$13,723,550.

2 (2) For the 2026-27 state fiscal year, the general assembly
3 anticipates that the federal funds received by the department of health
4 care policy and financing for medical and long-term care services for
5 Medicaid-eligible individuals will decrease by \$6,861,775. The
6 appropriation in subsection (1) of this section is based on the assumption
7 that the department will not receive this amount of federal funds.

8 (3) Subsection (1) of this section does not require a reduction of
9 an appropriation in the annual general appropriation act for the 2026-27
10 state fiscal year if:

11 (a) The amount of the general fund appropriation made in the
12 annual general appropriation act for the 2026-27 state fiscal year to the
13 department of health care policy and financing for medical and long-term
14 care services for Medicaid-eligible individuals is less than the amount of
15 the adjustment required in subsection (1) of this section; or

16 (b) The annual general appropriation act for the 2026-27 state
17 fiscal year does not include an appropriation to the department of health
18 care policy and financing for medical and long-term care services for
19 Medicaid-eligible individuals.

20 **SECTION 4. Effective date.** This act takes effect upon passage;
21 except that section 3 of this act takes effect only if the annual general
22 appropriation act for the 2026-27 state fiscal year becomes law, in which
23 case section 3 of this act takes effect upon the effective date of this act or
24 of the annual general appropriation act for state fiscal year 2026-27,
25 whichever is later.

26 **SECTION 5. Safety clause.** The general assembly finds,
27 determines, and declares that this act is necessary for the immediate

- 1 preservation of the public peace, health, or safety or for appropriations for
- 2 the support and maintenance of the departments of the state and state
- 3 institutions.