



Memorandum

To: Joint Budget Committee Members
From: Kelly Shen, JBC Staff (303-866-5434)
Date: April 23, 2026
Subject: Potential Legislation Packet 21

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

- Approve for introduction in the House/Senate as a JBC bill LLS 25-XXXX;
- 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

Health Care Policy and Financing – Emily Pope

LLS 26-0929 Residential Treatment for Members in DHS CustodyP-1

Second Regular Session
Seventy-fifth General Assembly
STATE OF COLORADO

DRAFT
4/22/26

DRAFT

LLS NO. 26-0929.01 Shelby Ross x4510

COMMITTEE BILL

Joint Budget Committee

BILL TOPIC: Residential Treatment for Members in DHS Custody
DEADLINES: File by: 4/24/2026

A BILL FOR AN ACT

101 **CONCERNING THE TRANSITION OF RESIDENTIAL TREATMENT**
102 **PROGRAMS TO THE STATEWIDE MANAGED CARE SYSTEM FOR**
103 **MEDICAID MEMBERS WHO ARE IN THE CUSTODY OF A COUNTY**
104 **DEPARTMENT OF HUMAN OR SOCIAL SERVICES.**

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. No later than July 1, 2026, the department of health care policy and financing (HCPF) shall convene a steering committee (steering committee) to support the transition of

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

1 (I) THE DEPARTMENT OF HEALTH CARE POLICY AND FINANCING;

2 (II) THE DEPARTMENT OF HUMAN SERVICES;

3 (III) THE BEHAVIORAL HEALTH ADMINISTRATION IN THE
4 DEPARTMENT OF HUMAN SERVICES;

5 (IV) COUNTY DEPARTMENTS OF HUMAN OR SOCIAL SERVICES;

6 (V) QUALIFIED RESIDENTIAL TREATMENT PROGRAM PROVIDERS
7 AND PSYCHIATRIC RESIDENTIAL TREATMENT FACILITY PROVIDERS,
8 INCLUDING A STATEWIDE ASSOCIATION REPRESENTING PROVIDERS; AND

9 (VI) MANAGED CARE ENTITIES.

10 (b) BEGINNING JULY 1, 2026, THE STEERING COMMITTEE SHALL
11 MEET AT LEAST ONCE PER MONTH UNTIL JULY 1, 2027.

12 (c) THE STEERING COMMITTEE SHALL IDENTIFY, EVALUATE, AND
13 DEVELOP RECOMMENDATIONS ON POLICY AND OPERATIONAL ISSUES
14 RELATED TO THE TRANSITION DESCRIBED IN SUBSECTION (1)(a) OF THIS
15 SECTION AND ENSURE THAT UPDATES, POTENTIAL DECISION POINTS, AND
16 DECISIONS MADE BY THE STATE DEPARTMENT ARE COMMUNICATED TO
17 AND VETTED WITH THE LEADERSHIP OF EACH MEMBER'S RESPECTIVE
18 ORGANIZATION OR CONSTITUENCY.

19 (2) NO LATER THAN APRIL 1, 2027, THE STATE DEPARTMENT, IN
20 COLLABORATION WITH THE STEERING COMMITTEE, SHALL DEVELOP
21 POLICIES AND RECOMMENDATIONS IN LINE WITH FEDERAL FINANCIAL
22 PARTICIPATION AND MANAGED CARE REGULATIONS AND REQUIREMENTS
23 TO SUPPORT THE TRANSITION OF QUALIFIED RESIDENTIAL TREATMENT
24 PROGRAMS AND PSYCHIATRIC RESIDENTIAL TREATMENT FACILITIES TO THE
25 MANAGED CARE SYSTEM FOR MEMBERS IN THE CARE AND CUSTODY OF A
26 COUNTY DEPARTMENT OF HUMAN OR SOCIAL SERVICES. THE POLICIES AND
27 RECOMMENDATIONS MUST INCLUDE, BUT ARE NOT LIMITED TO:

1 (a) CLEARLY DEFINED ROLES, RESPONSIBILITIES, AND
2 DECISION-MAKING AUTHORITY ACROSS MANAGED CARE ENTITIES,
3 COUNTIES, PROVIDERS, AND STATE AGENCIES, INCLUDING
4 ACCOUNTABILITY FOR MEDICAL NECESSITY DETERMINATIONS, PLACEMENT
5 DECISIONS, DISCHARGE PLANNING, CARE COORDINATION, AND PAYMENT;

6 (b) STATEWIDE STANDARDS FOR UTILIZATION MANAGEMENT,
7 INCLUDING AUTHORIZATION, CONTINUED STAY REVIEW, AND DISCHARGE
8 PLANNING, WITH CLARITY ON THE APPLICATION OF MEDICAL NECESSITY
9 DETERMINATIONS AND CONSIDERATION OF THE UNIQUE CLINICAL AND
10 PLACEMENT-RELATED NEEDS OF CHILDREN AND YOUTH INVOLVED IN THE
11 CHILD WELFARE SYSTEM;

12 (c) REQUIREMENTS FOR TIMELY ENGAGEMENT, AUTHORIZATION,
13 AND CARE COORDINATION ACROSS ENTITIES, INCLUDING DEFINED TIME
14 FRAMES AND EXPECTATIONS FOR REAL-TIME COORDINATION FOR YOUTH
15 IN CRISIS OR AT RISK OF PLACEMENT DISRUPTION;

16 (d) TRAINING AND TECHNICAL ASSISTANCE NEEDS FOR MANAGED
17 CARE ENTITIES, COUNTIES, AND QUALIFIED RESIDENTIAL TREATMENT
18 PROGRAM AND PSYCHIATRIC RESIDENTIAL TREATMENT FACILITY
19 PROVIDERS RELATED TO THE CONSISTENT APPLICATION OF MEDICAL
20 NECESSITY CRITERIA, INCLUDING DOCUMENTATION EXPECTATIONS AND
21 AUTHORIZATION PROCESSES AND TIMELINES FOR EACH;

22 (e) CARE COORDINATION EXPECTATIONS ACROSS MANAGED CARE
23 ENTITIES, COUNTIES, AND QUALIFIED RESIDENTIAL TREATMENT PROGRAM
24 AND PSYCHIATRIC RESIDENTIAL TREATMENT FACILITY PROVIDERS TO
25 IMPROVE COMMUNICATION, REDUCE DUPLICATION, AND SUPPORT
26 CONTINUITY OF CARE, INCLUDING PROCESSES TO ADDRESS CARE
27 COORDINATION AND ACCESS TO SERVICES FOR YOUTH IN DETENTION, WITH

1 CLARITY ON ELIGIBILITY, ASSIGNMENT TO MANAGED CARE ENTITIES, AND
2 ROLES AND RESPONSIBILITIES FOR COVERAGE, AUTHORIZATION, AND
3 COORDINATION OF BEHAVIORAL HEALTH SERVICES DURING AND
4 FOLLOWING PERIODS OF DETAINMENT;

5 (f) DISCHARGE PLANNING REQUIREMENTS, INCLUDING
6 EXPECTATIONS THAT DISCHARGE PLANNING BEGINS AT ADMISSION AND
7 THAT ALL RELEVANT PARTIES HAVE A SHARED UNDERSTANDING OF THE
8 DISCHARGE PLAN AND OF AVAILABLE STEP-DOWN AND COMMUNITY-BASED
9 SERVICE OPTIONS;

10 (g) RECOMMENDATIONS TO ADDRESS SYSTEM BARRIERS RELATED
11 TO DISCHARGE PLANNING, PLACEMENT AVAILABILITY, AND CONTINUITY OF
12 CARE, INCLUDING ALIGNMENT BETWEEN CLINICAL READINESS FOR
13 DISCHARGE AND AVAILABLE PLACEMENT OR COMMUNITY-BASED SERVICE
14 OPTIONS;

15 (h) PROCESSES FOR TRANSITIONING MEMBERS RECEIVING
16 QUALIFIED RESIDENTIAL TREATMENT SERVICES AND PSYCHIATRIC
17 RESIDENTIAL TREATMENT SERVICES PRIOR TO JULY 1, 2027, FROM
18 FEE-FOR-SERVICE TO MANAGED CARE ON JULY 1, 2027, INCLUDING TIMING
19 AND RESPONSIBILITY;

20 (i) STATEWIDE REQUIREMENTS FOR MANAGED CARE ENTITIES,
21 INCLUDING MINIMUM EXPECTATIONS FOR PROCESSES, TIMELINES,
22 APPLICATION OF POLICIES RELATED TO AUTHORIZATION, UTILIZATION
23 MANAGEMENT, CARE COORDINATION, AND SERVICE DELIVERY; DECISION
24 MAKING; AND APPLICATION OF THE EARLY AND PERIODIC SCREENING,
25 DIAGNOSTIC, AND TREATMENT BENEFIT;

26 (j) DATA, REPORTING, AND TRANSPARENCY NEEDS NECESSARY TO
27 SUPPORT IMPLEMENTATION, OVERSIGHT, AND ONGOING EVALUATION OF

1 THE TRANSITION; AND

2 (k) CONSIDERATION OF FISCAL IMPACTS AND ALIGNMENT ACROSS
3 ENTITIES, INCLUDING POTENTIAL COST SHIFTS, RATE ADEQUACY, AND
4 FUNDING RESPONSIBILITIES ASSOCIATED WITH THE TRANSITION.

5 (3) NO LATER THAN JULY 1, 2027, THE STATE DEPARTMENT SHALL
6 IMPLEMENT OR INITIATE THE TRANSITION OF SERVICES PROVIDED IN
7 QUALIFIED RESIDENTIAL TREATMENT PROGRAMS AND PSYCHIATRIC
8 RESIDENTIAL TREATMENT FACILITIES TO THE MANAGED CARE SYSTEM FOR
9 MEMBERS IN THE CARE AND CUSTODY OF A COUNTY DEPARTMENT OF
10 HUMAN OR SOCIAL SERVICES ACCORDING TO THE POLICIES AND
11 RECOMMENDATIONS DEVELOPED PURSUANT TO SUBSECTION (2) OF THIS
12 SECTION.

13 (4) NO LATER THAN OCTOBER 1, 2026, DECEMBER 31, 2026, AND
14 MARCH 1, 2027, THE STATE DEPARTMENT SHALL SUBMIT A QUARTERLY
15 REPORT TO THE JOINT BUDGET COMMITTEE THAT INCLUDES:

16 (a) THE DATES THE STEERING COMMITTEE MET DURING THE
17 PREVIOUS QUARTER;

18 (b) A LIST OF ATTENDEES AT EACH MEETING;

19 (c) A SUMMARY OF THE TOPICS DISCUSSED; AND

20 (d) A SUMMARY OF DECISIONS MADE TO DATE.

21 (5) NO LATER THAN JULY 1, 2028, THE STATE DEPARTMENT SHALL
22 SUBMIT A REPORT TO THE JOINT BUDGET COMMITTEE OUTLINING:

23 (a) THE OUTCOMES OF THE IMPLEMENTED POLICIES;

24 (b) ANY IDENTIFIED IMPACTS TO PLACEMENT STABILITY, CARE
25 COORDINATION, AND SYSTEM ALIGNMENT; AND

26 (c) RECOMMENDATIONS FOR ANY STATUTORY OR BUDGETARY
27 CHANGES NECESSARY TO SUPPORT ONGOING IMPLEMENTATION.

1 **SECTION 2.** In Colorado Revised Statutes, 25.5-5-202, **amend**
2 (5)(c) as follows:

3 **25.5-5-202. Basic services for the categorically needy - optional**
4 **services - repeal.**

5 (5) (c) This subsection (5) is repealed, effective ~~July 1, 2027~~ JULY
6 1, 2026.

7 **SECTION 3.** In Colorado Revised Statutes, 25.5-5-402, **amend**
8 (2)(c)(II) as follows:

9 **25.5-5-402. Statewide managed care system - rules -**
10 **definitions - repeal.**

11 (2) The statewide managed care system implemented pursuant to
12 this article 5 does not include:

13 (c) (II) This subsection (2)(c) is repealed, effective ~~July 1, 2026~~
14 JULY 1, 2027.

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