



Memorandum

To: Rep. Taggart
 From: Tom Dermody, JBC Staff (303-866-4963)
 Date: April 15, 2026
 Subject: FY 2026-27 Impacts of JBC Actions on HCBS waivers for the IDD Community

This staff memo has three parts:

1. a summary of Committee actions affecting the Home- and Community Based Services waivers for individuals with developmental disabilities;
2. a brief synopsis of the Committee's rejection of changes to the individual residential services and supports (IRSS) rate; and
3. information regarding the Department of Health Care Policy and Financing's application of post-eligibility treatment of income (PETI) to residential waivers.

JBC Actions Impacting IDD Waivers

Below is a summary of all the actions taken by the Joint Budget Committee (JBC) that affected the Home- and Community Based Services and waiver for individuals with developmental disabilities during the 2026 budget cycle. Current year supplemental action taken in H.B. 26-1155 (HCPF supplemental) and H.B. 26-1410 (Long Bill) are base building, so the table below shows the aggregate impact of JBC actions for the budget year (FY 2026-27).

Summary of JBC Actions Impacting IDD Waivers, Total FY 2026-27 Reductions

| Item | Total Funds | General Fund | Cash Funds | Reapprop. Funds | Federal Funds | FTE |
|--|---------------|---------------|------------|-----------------|---------------|-----|
| <u>Eligibility & benefits changes</u> | | | | | | |
| Community connector units [1] | -\$25,309,090 | -\$12,654,044 | \$0 | \$0 | -\$12,655,046 | 1.0 |
| HCBS hours soft cap [1] | -22,705,669 | -11,380,819 | 0 | 0 | -11,324,850 | 2.0 |
| IDD youth transitions | -15,349,933 | -7,674,964 | 0 | 0 | -7,674,969 | 0.5 |
| IDD cost share | -12,641,818 | -6,320,909 | 0 | 0 | -6,320,909 | 0.0 |
| Community connector age limit | -7,441,256 | -3,738,675 | 17,147 | 0 | -3,719,728 | 0.0 |
| IDD waitlist | -6,585,727 | -3,292,864 | 0 | 0 | -3,292,863 | 0.5 |
| Homemaker hours soft cap [1] | -563,486 | -281,743 | 0 | 0 | -281,743 | 0.0 |
| Caregiving hours soft cap [1] | -481,491 | -240,745 | 0 | 0 | -240,746 | 3.0 |
| Subtotal | -\$91,078,470 | -\$45,584,763 | \$17,147 | \$0 | -\$45,510,854 | 7.0 |
| <u>Provider rates</u> | | | | | | |

| Item | Total Funds | General Fund | Cash Funds | Reapprop. Funds | Federal Funds | FTE |
|--------------------------------|----------------|----------------|------------|-----------------|----------------|------|
| Community connector rates [1] | -\$34,385,879 | -\$17,192,440 | \$0 | \$0 | -\$17,193,439 | 0.0 |
| ATB 2.0% reduction | -28,756,734 | -14,249,601 | -343,737 | 0 | -14,163,396 | 0.0 |
| Home health/nurse rates | -26,612,191 | -13,679,655 | 155,496 | 0 | -13,088,032 | 0.9 |
| Reverse FY 25-26 1.6% increase | -22,385,762 | -11,006,540 | -330,227 | 0 | -11,048,995 | 0.0 |
| Subtotal | -\$112,140,566 | -\$56,128,236 | -\$518,468 | \$0 | -\$55,493,862 | 0.9 |
| Administration | | | | | | |
| Single assessment | -11,756,314 | -6,205,610 | 53,882 | 0 | -5,604,586 | 2.7 |
| Total | -\$214,975,350 | -\$107,918,609 | -\$447,439 | \$0 | -\$106,609,302 | 10.6 |

[1] Includes impact of supplemental actions taken in H.B. 26-1155 (HCPF supplemental) and H.B. 26-1410 (Long Bill).

Eligibility & benefit changes

Community connector units: The Committee approved a change in Department policy that sets a soft cap on the annual hours for community connector services.

The Department anticipates an implementation of April 1, 2026. The new limit reduces the Department’s forecast by:

- Current year: -\$3.9 million total funds, including -\$2.0 million General Fund
- Year 1: -\$25.3 million total funds, including -\$12.7 million General Fund

Utilization of community connector services has grown much faster than the Department expected, with costs increasing by orders of magnitude since FY 2018-19. Community connector services help individuals enrolled in the Children’s Extensive Services (CES) and Children’s Habilitation Residential Program (CHRP) waivers participate in typical childhood activities and to become more fully integrate into their communities. Examples of engagement supported by this benefit are volunteering, attending enrichment classes, and going to the library alongside peers without disabilities. The Department is planning a 50.0 percent reduction to the annual cap for community connector services to 1,040 units. Community connector services are billed in 15-minute increments, so the new cap equates to 260 hours per year per member.

HCBS hours soft cap: The Committee approved a change in Department policy that sets a soft cap on the annual hours for personal care, homemaker, and health maintenance activities.

The Department anticipates an implementation of April 1, 2026. The new limits reduce the Department’s forecast by:

- Current year: a net -\$3.3 million total funds, including -\$1.7 million General Fund, and an increase of 0.3 FTE
- Year 1: a net -\$22.7 million total funds, including -\$11.4 million General Fund, and an increase of 2.0 FTE

Personal care, homemaker, and health maintenance activities are core home and community-based services (HCBS) benefits and are available under Community First Choice. These services are not currently limited and are authorized based on assessed need. Personal Care services assist with activities such as bathing, dressing, eating, mobility, and hygiene. Homemaker services provide assistance with household tasks including meal preparation, cleaning, laundry, and shopping. Health maintenance activities include supports such as medication administration, catheter care, or respiratory assistance that can be safely performed in the home or community setting. The additional staff resource is term-limited through FY 2027-28.

Annual HCBS Service Limits

| Service | Limit (units) | Daily Hours |
|-------------------------------|---------------|-------------|
| Personal care | 10,000 | 6.5 |
| Homemaker | 4,500 | 3.0 |
| Health maintenance activities | 19,000 | 13.0 |

IDD youth transitions: The Committee approved a change in Department policy to end automatic enrollment to the Adult Comprehensive (DD) waiver for youth aging out of the Children’s Extensive Supports (CES) and the Children’s Habilitation Residential Program (CHRP) waivers.

The new policy reduces the Department’s forecast by:

- Year 1: -\$15.3 million total funds, including -\$7.7 million General Fund, and 0.5 FTE.
- Year 2: -\$43.8 million total funds, including -\$21.9 million General Fund, and 0.5 FTE.

The DD waiver provides access to 24-hour/seven-day-a-week supervision through residential habilitation and daily habilitation services and supports. The bill will end the practice of automatically enrolling into the DD waiver youth who age out of the CES and CHRP waivers. The change will necessitate non-exempt individuals aging out of the CES and CHRP waivers to seek services through other waivers. The Department is required by state law to automatically enroll youth into the DD waiver without being placed on the waitlist who, while being served through child welfare services, receive services through the CES and CHRP waivers and are turning 18 years old.¹

IDD cost share: The Committee approved a change in Department policy to require members on the DD waiver to contribute financially for their residential services.

The new policy reduces the Department’s forecast by:

- Year 1: -\$12.6 million total funds, including -\$6.3 million General Fund.
- Year 2: -\$26.3 million total funds, including -\$13.1 million General Fund.

The bill assumes the implementation of post-eligibility treatment of income (PETI) for individuals enrolled in the DD waiver beginning July 1, 2026. PETI is the process used to determine how much of a member’s income must be contributed toward the cost of their long-term care in programs that provide residential services. The current policy is to allow individuals enrolled in the DD waiver to retain all income beyond what they pay for room and board, while Medicaid covers the full cost of residential services. Members enrolled in other HCBS residential services are subject to PETI requirements. The PETI process accounts for a personal needs allowance and other allowable deduction and expenses permitted by regulations.

Community connector age limit: The Committee approved a change in Department policy to implement a new age limit for access to community connector benefits for minors, limiting access to ages 6 years or older.

The new policy reduces the Department’s forecast by:

- Year 1: -\$7.4 million total funds, including -\$3.7 million General Fund.
- Year 2: -\$9.6 million total funds, including -\$4.8 million General Fund.

Community connector services help individuals enrolled in the CES and CHRP waivers participate in typical childhood activities and to become more fully integrated into their communities. These services help individuals

¹ Section 25.5-6-409.5, C.R.S.

develop skills and abilities to be active participants in their communities, build relationships and natural supports, and interact one-on-one with non-familial persons without disabilities. Examples of engagement supported by this benefit are volunteering, attending enrichment classes, and going to the library alongside peers without disabilities. Community connector services are provided by program approved service agencies (PASAs), who hire staff to deliver the service.

IDD waitlist: The Committee approved a change in Department policy for DD waiver waitlist enrollments.

The new policy reduces the Department's forecast by:

- Year 1: -\$6.6 million total funds, including -\$3.3 million General Fund, and 0.5 FTE.
- Year 2: -\$18.9 million total funds, including -\$9.4 million General Fund, and 0.5 FTE.

The bill reduces funding for the DD waitlist so that for every two people that disenroll from the waiver, one person is enrolled. This is a 50.0 percent reduction in vacancy enrollments (a.k.a., churn enrollments). The Department monthly approves vacancy enrollments from the waitlist for individuals based on the date they were determined eligible and placed on the waitlist. The process maintains a rolling enrollment list, based on the previous month's reported vacancies. The average length of time an individual over the age of 18 is on the DD waitlist is seven years.

Homemaker hours soft cap: The Committee approved a change in Department policy that sets a soft cap on the paid weekly hours for legally responsible persons providing these services.

The Department anticipates implementation in Spring 2026. The new limit reduces the Department's forecast by:

- Current year: -\$86,358 total funds, including -\$43,179 General Fund
- Year 1: -\$0.6 million total funds, including -\$0.3 million General Fund

Homemaker services provide assistance with household tasks including meal preparation, cleaning, laundry, and shopping. The Department proposes reducing the cap for legally responsible persons from 10 hours per week to 5 hours per week. Legally responsible persons are typically family members who have a legal responsibility to care for the individual enrolled in Medicaid.

Caregiving hours soft cap: The Committee approved a change in Department policy to implement a phased-cap on the paid weekly hours per caregiver providing these services.

The new policy reduces the Department's forecast by:

- Current year: \$62,090 total funds, including \$31,045 General Fund, and 0.5 FTE.
- Year 1: -\$0.5 million total funds, including -\$0.2 million General Fund, and 3.0 FTE.
- Year 2: -\$2.8 million total funds, including -\$1.4 million General Fund, and 3.0 FTE.

The implementation of the 56-hour per week cap will be rolled out over one year, with full implementation planned for July 1, 2027. Providers are expected to be in compliance with the new required caregiver hours per week step down implementation plan.

- April 1, 2026: Case management agencies and provider agencies will begin to communicate the upcoming changes (to begin July 1, 2026) so families can make plans
- July 1, 2026: Requirement that each caregiver have no more than 84 hours per week per member
- January 1, 2027: Requirement that each caregiver have no more than 70 hours per week per member

- July 1, 2027: Requirement that each caregiver have no more than 56 hours per week per member

Provider rates

Community connector rates: The Committee approved a two-phase rate reduction for community connector services.

The first phase was implemented on January 1, 2026 and the second phase will go into effect on April 1, 2026. The rate reductions reduce the Department’s forecast by:

- Current year: -\$9.5 million total funds, including -\$4.8 million General Fund
- Year 1: -\$34.4 million total funds, including -\$17.2 million General Fund

Utilization of community connector services has grown much faster than the Department expected, with costs increasing by orders of magnitude since FY 2018-19. Community connector services help individuals enrolled in the Children’s Extensive Services (CES) and Children’s Habilitation Residential Program (CHRP) waivers participate in typical childhood activities and to become more fully integrate into their communities. Examples of engagement supported by this benefit are volunteering, attending enrichment classes, and going to the library alongside peers without disabilities. The combined rate reductions are shown in the following table.

Community Connector Services Rate Change for FY 2025-26

| Municipality | July 1, 2025 | October 1, 2025 | January 1, 2026 (-15%) | April 1, 2026 (-23%) | Total Change (%) |
|--------------|--------------|-----------------|------------------------|----------------------|------------------|
| Denver | \$12.56 | \$12.36 | \$10.67 | \$7.83 | -38.0% |
| Non-Denver | \$12.22 | \$12.03 | \$10.39 | \$7.71 | -37.0% |

Across-the-board 2.0 percent reduction (IDD waivers only): The Committee approved an across-the-board reduction to provider rates of 2.0 percent. The provider rate decrease changes the projected expenditures by:

Year 1: -\$28.8 million total funds, including -\$14.2 million General Fund.

These amounts only reflect the impact of the 2.0 percent provider rate reduction on IDD waivers.

Home health/nurse rates: The Committee approved funding for modifications of the private duty nursing (PDN) rate structure and the home health rate structure, as well as to develop and implement a new rate negotiation strategy for the DD waiver and the CHRP waiver.

The rate reductions reduce the Department’s forecast by:

- Year 1: -\$26.6 million total funds, including -\$13.7 million General Fund, and 0.9 FTE.
- Year 2: -\$58.4 million total funds, including -\$27.8 million General Fund, and 1.0 FTE.
- Year 3: -\$58.7 million total funds, including -\$28.8 million General Fund.

The bill implements a blended per-diem rate and an acute care period for PDN services. Establishing an acute care period for PDN services will allow members a short window of time in which they can receive services prior to approval of a prior authorization request (PAR). The bill also implements a single 15-minute rate for certified nursing assistant services and 30-minute rate increments for the therapy services. The providers for these services include certified nursing assistants, physical therapists, occupational therapists, and speech-language pathology therapists.

Additionally, the bill funds updates to the tool used by case management agencies to determine the daily rate for members enrolled in the DD and CHRP waivers. These waivers provide access to 24/7 supervision and care. Reimbursement is based on a member's support level need, ranging from 1 (lowest need) to 7 (highest need). For several service categories, the level 7 rate is not set, rather it is negotiated on a per-member basis. The tool used to evaluate and set the level 7 rates was developed in 2007 and has not been updated since.

Reverse FY 2025-26 1.6 percent increase (IDD waivers only): The Committee approved the reversal of the 1.6 percent provider rate increase for Medicaid providers that was appropriated in FY 2025-26.

The rate reductions reduce the Department's forecast by:

- Current year: -\$15.0 million total funds, including -\$7.4 million General Fund
- Year 1: -\$22.4 million total funds, including -\$11.0 million General Fund

These amounts only reflect the impact of the 1.6 percent provider rate reversal on IDD waivers.

Administration

Single assessment: The bill includes net reductions for the deployment of a single assessment tool to be used by case management agencies in developing an individual's Person-centered Support Plan (PCSP or Plan).

- Year 1: net -\$11.7 million total funds, including -\$6.2 million General Fund, and an increase of 2.7 FTE
- Year 2: An increase of \$3.5 million total funds, including \$1.4 million General Fund, and 3.0 FTE

The single assessment tool is designed to support a person-centered approach in developing an individual's Person-centered Support Plan (PCSP or Plan). The single assessment tool gathers information about a person's life experiences (e.g., work, education, health, etc.) and their quality of life by helping to identify needs, preferences, and personal goals. The Plan uses the results of the single assessment tool to outline the services and supports that meet the individual's care goals and preferences. The single assessment tool is intended to standardize the assessment process to assist case management agencies in determining the appropriate level of long-term services and supports. The single assessment tool replaces the use of multiple assessment tools, resulting in net savings.

Action Rejected by JBC

Individual residential services and supports

Request

The Department asked to reduce funding for updates to the billing guidance for individual residential services and supports (IRSS). The Department anticipates implementing this change April 1, 2026. The change reduces the Department's forecast by:

- Current Year: -\$1.5 million total funds, including -\$0.75 million General Fund.
- Year 1 and ongoing: -\$5.8 million, including -\$2.3 million General Fund.

Staff Recommendation

Staff recommended the Committee approve the forecast adjustment for the Department's guidance change. Staff recommended an implementation date of July 1, 2026, to give affected family caregivers sufficient time to prepare for the fiscal impact they will experience from this guidance change. Staff recommends the following reductions to the Department's forecast:

- Year 1 and ongoing: -\$5.8 million, including -\$2.3 million General Fund.

Committee Action

During figure setting on March 12th, the Committee rejected the request and recommendation on a 3-3 vote. On March 18th, the Department and OSPB requested the Committee revisit their decision (Comeback #46). After discussion and deliberation, the Committee did not take another vote on this request. As a result, the original vote held and the request was denied. The associated reductions **are not** included in the FY 2026-27 Long Bill.

Post-Eligibility Treatment of Income (PETI)

JBC staff reached out to the Department to provide information on the waivers to which PETI is applied, whether PETI applies to family members of individuals on the waivers, and whether or not PETI is applied within the children's waivers. Below are their responses.

Waivers with PETI

PETI currently applies to members receiving residential services under the following Home and Community Based Services waivers:

- Elderly, Blind, and Disabled Waiver (EBD)
- Community Mental Health Supports Waiver (CMHS)
- Brain Injury Waiver (BI)

At the same time, the Department recognizes that the residential service models are not identical across waivers. The other waivers generally offer residential services in group settings, while the DD Waiver includes residential services in both individual and group settings. That distinction matters. The Department's approach is designed to account for those differences in the PETI calculation, including by allowing for housing and other necessary expenses that may arise in more individualized living arrangements.

The Department's goal is to apply cost sharing fairly and equitably across comparable residential services, while also recognizing differences in how services are delivered across waiver populations and settings.

Application of PETI

PETI is applied only after a person has already been found eligible for Medicaid and approved for services. PETI does not determine whether someone qualifies for Medicaid. Instead, it determines how much of the member's own monthly income is available to contribute toward the cost of their care after required protections and deductions are applied.

PETI is based on the member's income, not the income of family members. Family income may be relevant in some Medicaid eligibility determinations, depending on the program and the person's circumstances. However, once PETI is being calculated, the calculation is based on the member's own income and allowable deductions, not on a parent's or other family member's income.

Before any contribution amount is determined, members retain protected amounts and allowable deductions, including:

- a personal needs allowance
- applicable taxes
- certain housing costs, when applicable
- non-covered medical expenses
- certain trust-related deductions, where allowed under Medicaid rules

These protections are important. They are intended to make sure people keep enough of their income to meet basic personal and living expenses and are not required to contribute income that is needed for essentials.

The Department also understands that many people on the DD Waiver live in settings that do not look like traditional congregate residential care. Some may live in more individualized arrangements and may have housing obligations such as rent, mortgage, utilities, or other household costs. That is one reason the calculation must account for the actual living arrangement rather than assuming all residential settings operate the same way.

The Department knows there are different perspectives on what is fair in this area. Some people view any required contribution as difficult, especially for members and families already managing significant daily challenges. The Department understands that concern. At the same time, there is a longstanding policy basis for requiring a contribution from available income in comparable residential service settings so that similarly situated members are treated consistently across the system.

Questions have also been raised about whether excluding people who are working is unfair. The Department recognizes that there are two ways to look at that issue. Some may view the exclusion as unequal treatment. Others may view it as an important policy choice to avoid discouraging employment. The Department's current approach reflects a longstanding policy decision not to disincentivize work by requiring working individuals to contribute earned income through PETI. While the Department is open to evaluating that policy in the future, it is not proposing to revisit that longstanding approach at this time.

PETI within Children's Waivers

PETI is not applied to the Children's Habilitation Residential Program, or CHRP. Children are not expected to contribute to their cost of care.