



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Note Memorandum

TO: Members of the Senate Appropriations Committee

FROM: Brendan Fung, Fiscal Analyst, brendan.fung@coleg.gov, 303-866-4781

DATE: April 11, 2025

Fiscal Assessment of L.003 to SB25-121

This memorandum is an assessment of the fiscal impact of the attached proposed amendment L.003 to SB25-121. This fiscal assessment is for the impact of the bill with inclusion of this amendment only. Any other added amendment could influence the fiscal impact.

Summary of Proposed Amendment

Senate Bill 25-121, as amended by the Senate Health and Human Services Committee, requires the Department of Health Care Policy and Financing (HCPF) to reimburse providers that offer vagus nerve stimulation (VNS) therapy to Medicaid members diagnosed with drug-resistant epilepsy at a rate of 75 percent of the cost of acquiring the VNS device plus the cost of the procedure. Amendment L.003 phases-in the rate increase, setting the initial rate at 60 percent, and increasing the rate to 75 percent beginning January 1, 2029.

Fiscal Impact of Amendment

Relative to the revised fiscal note published on February 27, 2025, the amendment decreases state expenditures in HCPF through FY 2028-29, by about \$90,000 in the program's first year (FY 2026-27) and \$181,000 in the second year (FY 2027-28). Costs will return to prior levels beginning in FY 2029-30.

Bill's Revised Fiscal Impact with Amendment

As amended, the bill increases state expenditures in HCPF beginning in FY 2026-27. These costs are paid from the General Fund, the Health Care Affordability and Sustainability (HAS) Cash Fund, and federal funds, and are shown in the tables below.



Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2029-30
State Revenue	\$0	\$0	\$0	\$0
State Expenditures	\$0	\$178,225	\$159,720	\$340,260
Transferred Funds	\$0	\$0	\$0	\$0
Change in TABOR Refunds	\$0	\$0	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE	0.0 FTE	0.0 FTE

Table 1A
State Expenditures

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2029-30
General Fund	\$0	\$36,430	\$53,187	\$113,307
Cash Funds	\$0	\$2,635	\$5,271	\$11,229
Federal Funds	\$0	\$139,160	\$101,262	\$215,725
Centrally Appropriated	\$0	\$0	\$0	\$0
Total Expenditures	\$0	\$178,225	\$159,720	\$340,260
Total FTE	0.0 FTE	0.0 FTE	0.0 FTE	0.0 FTE

State Expenditures

The bill increases state expenditures in HCPF by about \$178,000 in FY 2026-27 and \$160,000 in FY 2027-28. Starting in FY 2029-30, upon full program implementation, expenditures will increase by about \$340,000. These costs, paid from the General Fund, the HAS Cash Fund, and federal funds, are summarized in Table 2 and discussed below.



Table 2
State Expenditures
Department of Health Care Policy and Financing

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2029-30
VNS Device Reimbursement	\$0	\$79,860	\$159,720	\$340,260
Information System Update	\$0	\$98,365	\$0	\$0
Total Costs	\$0	\$178,225	\$159,720	\$340,260
Total FTE	0.0 FTE	0.0 FTE	0.0 FTE	0.0 FTE

VNS Device Reimbursement

HCPF expenditures for VNS device reimbursement will increase by \$80,000 in FY 2026-27 and \$160,000 through FY 2027-28. Starting in FY 2028-29, costs will further increase to reimburse providers for VNS devices at a rate of 75 percent. The amount of reimbursement for VNS devices under the bill depends on a variety of factors, including the number of claims eligible for reimbursement, the average cost of the device, and the current rate of Medicaid reimbursement.

This estimate assumes that:

- the benefit will begin January 1, 2027, once federal approval is received and computer programming is completed;
- HCPF will reimburse providers at a rate of 60 percent until January 1, 2029;
- about 30 members will receive a VNS device per year based on current utilization rates, except FY 2026-27 when the number of claims are prorated to a January 1, 2027, implementation date;
- the average provider cost to acquire a VNS device is approximately \$40,000; and
- Medicaid currently reimburses VNS devices at an average rate of 47 percent based on historical claims data.

Based on these assumptions, Medicaid must reimburse providers at a rate of about \$24,000 per VNS device, an increase of \$5,300 from current reimbursement averages, for an estimated 30 annual claims. If a higher reimbursement rate incentivizes an increase in VNS therapy, costs to HCPF will increase by more than estimated in the fiscal note.

Information System Update

In FY 2026-27 only, the bill increases HCPF expenditures by about \$98,000 to update the Medicaid Management Information System (MMIS) and enable manual pricing for grouped and individual claims. The fiscal note assumes that a contractor will perform 515 hours of work at a rate of \$191 per hour. Actual costs will be determined through the contracting process.