



Fiscal Note
Legislative Council Staff
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SB 25-308: CASH FUNDS MEDICAID SERV FEDERAL AUTHORIZATION

Prime Sponsors:

Sen. Amabile; Kirkmeyer
Rep. Taggart; Sirota

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Fiscal note status: The fiscal note reflects the introduced bill, which was recommended by the Joint Budget Committee.

Summary Information

Overview. The bill creates two cash funds to allow the Department of Health Care Policy and Financing to implement federally matched Medicaid coverage of health-related social need and reentry services, and to reinvest the state savings in the Department of Corrections, the Department of Local Affairs, and the Department of Human Services.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Transfers
- State Expenditures

Appropriations. For FY 2025-26, the bill includes appropriations to several state agencies that result in a net increase in appropriations of \$1.3 million. See State Appropriations section.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2025-26	Out Year FY 2026-27
State Revenue	\$0	\$0
State Expenditures	\$1,286,214	\$1,183,754
Transferred Funds	\$14,555,545	\$14,555,545
Change in TABOR Refunds	\$0	\$0
Change in State FTE	8.3 FTE	8.3 FTE

**Table 1A
State Expenditures
Administrative Costs**

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	\$0	0
Affordable Housing Support Fund	\$0	0
Reentry Services Reinvestment Cash Fund	\$311,566	\$278,489
HRSN Reinvestment Cash Fund	\$249,825	\$231,672
Federal Funds	\$561,391	\$510,161
Centrally Appropriated	\$163,432	\$163,432
Total Administrative Expenditures	\$1,286,214	\$1,183,754
Total FTE	8.3 FTE	8.3 FTE

**Table 1B
State Expenditures
Medicaid-Eligible Services Spending**

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	-\$8,453,351	-\$8,453,351
Affordable Housing Support Fund	-\$6,102,194	-\$6,102,194
Reentry Services Reinvestment Cash Fund	0	0
HRSN Reinvestment Cash Fund	0	0
Federal Funds	\$14,555,545	\$14,555,545
Centrally Appropriated	\$0	\$0
Total Service Expenditures	\$0	\$0
Total FTE	0.0 FTE	0.0 FTE

**Table 1C
State Transfers**

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
General Fund	-\$8,453,351	-\$8,453,351
Affordable Housing Support Fund	-\$6,102,194	-\$6,102,194
HRSN Reinvestment Cash Fund	\$11,760,695	\$11,760,695
Reentry Services Reinvestment Cash Fund	\$2,794,850	\$2,794,850
Net Transfer	\$0	\$0

Summary of Legislation

The Department of Health Care Policy and Financing (HCPF) received federal authorization to cover certain health-related social needs (HRSN) and health-related reentry services through Medicaid. These services are currently funded with state funds in the Department of Corrections (DOC), the Department of Local Affairs (DOLA), and the Department of Human Services (CDHS), and are not eligible for federal Medicaid reimbursement.

The bill allows HCPF to implement Medicaid coverage of these services. The bill creates two cash funds, the Health-Related Social Needs Reinvestment Cash Fund and the Reentry Services for Justice-Involved Individuals Reinvestment Cash Fund, to capture the state savings realized when Medicaid dollars begin partially funding services. The bill requires the State Treasurer to transfer the amount of unspent General Fund appropriations for eligible services that would otherwise revert to the General Fund at the end of each fiscal year to the appropriate cash fund beginning in FY 2025–26. Subject to approval by the General Assembly, HCPF must use money in the cash funds to continue providing HRSN and reentry services. The bill also requires HCPF to develop a workforce of peer support professionals to comply with federal waiver requirements.

Background

1115 Waiver

Section 1115 of the federal Social Security Act allows states to test new approaches in Medicaid through waivers to standard Medicaid program requirements. HCPF received legislative authorization through [House Bill 24-1322](#), [House Bill 24-1045](#), and [Senate Bill 22-196](#) to pursue a waiver that expands Medicaid to cover services that address certain social and reentry-related needs. These services are currently provided by state agencies using state funds without federal reimbursement. Under the approved waiver, the state can now draw down federal Medicaid matching funds, and redirect the freed-up state funds to expand and enhance the services.

Health-Related Social Needs and Reentry Services

The federal waiver allows Medicaid to cover:

- HRSN services that address unmet needs related to lack of adequate housing and nutrition support for Medicaid members that are experiencing homelessness or at-risk; transitioning from residing in nursing facilities or at risk of nursing facility admission; or transitioning out of foster care, including for six months of housing vouchers and tenancy support services, like lease management, tenancy rights, and utility management; and
- reentry services, which include pre-release services for individuals transitioning out of incarceration, including targeted case management, physical and behavioral health screenings, and medication-assisted treatment, as well as 30-day supply of medications upon release from a facility.

These services are currently implemented and supported with state funds in DOC, DOLA, and CDHS.

Assumptions

Waiver Implementation

Under the 1115 waiver, eligible HRSN and reentry services will receive partial Medicaid funding. To meet federal requirements for budget neutrality and reinvestment, Colorado must reinvest state funds generated from the federal match into similar services.

To implement the waiver, the fiscal note assumes:

- HCPF will receive appropriations from the General Fund or the Affordable Housing Support Fund for services provided by DOLA, DOC, and CDHS that are eligible for Medicaid reimbursement;
- HCPF will use the state funds to draw down a federal Medicaid match and then the combined federal and state funding will be reappropriated to agencies to deliver the services;
- at the end of each fiscal year, any unspent General Fund amounts for these services will be transferred to the new reinvestment cash funds; and
- HCPF will reinvest money in the cash fund to support additional HRSN and reentry services, including administrative expenses, subject to appropriation.

As a result, total state spending on current services will remain unchanged, but the state will leverage new federal funds and then redirect state savings into expanded service delivery.

Table 2
Assumed Shift in Spending by Fund Source

Fund Source	Current Spending	Spending under Waiver	Change in Spending
General Fund	\$12,191,459	\$3,738,108	-\$8,453,351
AHSF	\$8,320,786	\$2,218,592	-\$6,102,194
Federal Funds	\$0	\$14,555,545	\$14,555,545
Total	\$20,512,245	\$20,512,245	\$0

Implementing this waiver requires funding adjustments and additional staff across HCPF, DOC, DOLA, and CDHS for Medicaid billing, reporting, and oversight. HCPF submitted a budget request (BA-07) that estimated the volume and costs of services that agencies may deliver and seek Medicaid reimbursement for beginning in FY 2025-26. These estimates form the basis for expected shifts in state funding and reinvestment amounts in this fiscal note.

State Transfers

The bill transfers unexpended state funds for HRSN and reentry services to the Health-Related Social Needs Cash Fund and the Reentry Services Cash Fund annually for reinvestment beginning June 30, 2026 (FY 2025-26). The transferred amounts are estimated at \$14.6 million annually across the funds, including \$8.5 million from the General Fund and \$6.1 million from the Affordable Housing Support Fund. The transferred amount consists of the state savings for services covered partially by federal dollars. The transferred money will be deposited into the reinvestment funds as follows: \$11.8 million to the HRSN Reinvestment Cash Fund and \$2.8 million to the Reentry Services Reinvestment Cash Fund.

These are estimates only, as the actual transferred amount will depend on services reimbursed by Medicaid and administrative expenses by state agencies. Transfers are expected to be similar in FY 2026-27 and future years.

State Expenditures

The bill increases net state expenditures by \$1.3 million in FY 2025-26, \$1.1 million in FY 2026-27, and similar amounts ongoing, for new administrative costs to implement Medicaid eligible services, as shown in Table 3 and described below. There will also be a refinancing of services provided by DOLA, DOC, and CDHS that are eligible for Medicaid reimbursement. Through this refinancing, General Fund appropriations to the agencies will decrease and be replaced with a corresponding increase in reappropriated funds from HCPF to cover Medicaid-eligible services and administrative costs.

Table 3
State Expenditures
All Departments

Department	Budget Year FY 2025-26	Out Year FY 2026-27
Health Care Policy & Financing (CF, FF)	\$369,096	\$349,086
Health Care Policy & Financing (AHSF)	\$8,320,786	\$8,320,786
Local Affairs (AHSF)	-\$8,320,786	-\$8,320,786
Local Affairs (RF)	\$281,083	\$261,073
Corrections (RF)	\$591,766	\$529,326
Human Services (RF)	\$44,269	\$44,269
Service Costs in DOLA, DOC, and CDHS (GF, AHSF)	-\$12,191,459	-\$12,191,459
Service Costs through HCPF (Reappropriated GF, CF, FF)	\$12,191,459	\$12,191,459
Total Costs	\$1,286,214	\$1,183,754

GF = General Fund. CF = Reinvestment Cash Funds. FF = Federal Funds. AHSF = Affordable Housing Support Fund

Department of Health Care Policy and Financing

The bill increases administrative costs in HCPF for staff. Costs also increase to pay for tenancy support services through Medicaid. These costs are shown in Table 4A and 4B and described below.

Staff

HCPF requires 3.0 FTE to support implementation of the waiver and manage Medicaid coverage of health-related social needs and reentry services. This includes 1.0 FTE to oversee federal reporting requirements, track state and federal funds, and provide technical assistance to partner agencies on Medicaid reimbursement processes. 1.0 FTE will develop a workforce to support peer services, including collaboration with stakeholders and community-based providers to provide support and promote workforce growth. 1.0 FTE will serve as an interagency liaison to support service expansion under the waiver and lead the development of annual recommendations for reinvestment of cash fund resources. Staff costs are split between the reinvestment cash funds and federal funds.

Tenancy Support Services

Expenditures will increase by \$8,320,786 beginning in FY 2025-26 to fund tenancy support services. Payments will go directly from HCPF to the providers, rather than through DOLA as is current practice. Costs will be paid from the Affordable Housing Support Fund (\$2.2 million) and federal matching funds (\$6.1 million).

Table 4A
State Expenditures
Department of Health Care Policy and Financing
By Cost Item

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27
Personal Services	\$281,772	\$281,772
Operating Expenses	\$3,840	\$3,840
Capital Outlay Costs	\$20,010	\$0
Tenancy Support Services	\$8,320,786	\$8,320,786
Centrally Appropriated Costs	\$63,474	\$63,474
Total Costs	\$8,689,882	\$8,669,872
Total FTE	3.0 FTE	3.0 FTE

Table 4B
State Expenditures
Department of Health Care Policy and Financing
By Fund Source

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27
Affordable Housing Support Fund	\$2,218,592	\$2,218,592
HRSN Reinvestment Cash Fund	\$124,448	\$116,300
Reentry Reinvestment Cash Fund	\$28,363	\$26,506
Federal Funds	\$6,225,005	6,245,000
Centrally Appropriated Line Items	\$63,474	\$63,474
Total Costs	\$8,689,882	\$8,669,872
Total FTE	3.0 FTE	3.0 FTE

Reappropriations to Other State Departments for Medicaid-Funded Services

Expenditures in HCPF will increase by \$12,191,459 from the General Fund for Medicaid-eligible services provided through DOLA, DOC, CDHS. Expenditures will also increase from an increase in federal matching funds for those services by approximately \$8,453,351. The full amount for services and any new administrative costs, totaling \$13,008,619, will be reappropriated from HCPF using a combination of the state funds, federal matching funds, and cash funds. After accounting for administrative costs and federal funds, \$8,453,351 in savings will be transferred to the reinvestment cash funds for reinvestment, along with the state savings for Tenancy Support Services in HCPF (\$6,102,194). Across all agencies and after new administrative costs, \$13,994,154 in savings will be generated and transferred in FY 2025-26, as shown in Table 2. A similar amount is expected on an ongoing basis. Current spending amounts and administrative costs supported through reappropriations from HCPF are shown in Table 5 below.

Table 5
Reappropriations for Medicaid Funded Services

	Current GF Spending	New Admin Costs	Reappropriation from HCPF
Local Affairs	\$7,622,681	\$225,100	\$7,847,781
Corrections	\$3,750,994	\$554,080	4,305,074
Human Services	\$817,784	\$37,980	\$855,764
Total	\$12,191,459	\$807,664	\$13,008,619

Department of Local Affairs

As shown in Table 6, expenditures in DOC will increase on net by \$281,083 in FY 2025-26 and \$261,073 in FY 2026-27 and ongoing for administrative costs to support the implementation of Medicaid-eligible reentry services, paid from reappropriated HCPF funds. There will be a net-neutral impact in appropriation for Medicaid-eligible services in DOLA. The department's General Fund appropriation will decrease, and an equal amount will be reappropriated from HCPF.

Staff

DOLA requires 3.0 FTE beginning in FY 2025-26 to support Medicaid billing and administration for HRSN-related housing programs. Staff will coordinate billing, track Medicaid eligibility, oversee supportive housing programs, and ensure compliance with all federal requirements.

Medicaid-eligible HRSN Services

There will be a shift in funding for Medicaid-eligible housing and rental assistance services. DOLA will receive \$7,622,681 in FY 2025-26 and ongoing from reappropriated funds from HCPF, which includes \$5,975,500 for permanent supportive housing rental assistance and \$1,647,181 for the community access team at risk rental assistance. There is also a corresponding decrease in GF appropriations by the same amount for these services.

As tenancy support services will shift to be funded and implemented through HCPF, DOLA's expenditures for those services will decrease by \$8,320,786. These costs are excluded from the table below.

Table 6
State Expenditures
Department of Local Affairs

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27
Personal Services	\$201,250	\$201,250
Operating Expenses	\$3,840	\$3,840
Capital Outlay Costs	\$20,010	\$0
Medicaid-eligible HRSN Services (RF)	\$7,622,681	\$7,622,681
Medicaid-eligible HRSN Services (GF)	-\$7,622,681	-\$7,622,681
Centrally Appropriated Costs	\$55,983	\$55,983
Total Costs	\$281,083	\$261,073
Total FTE	3.0 FTE	3.0 FTE

Department of Corrections

As shown in Table 7, expenditures in DOC will increase on net by \$591,766 in FY 2025-26 and \$529,326 in FY 2026-27 and ongoing for administrative costs to support the implementation of Medicaid-eligible reentry services, paid from reappropriated HCPF funds. There will be a net-neutral impact in appropriation for Medicaid-eligible services in the DOC. The department's General Fund appropriation will decrease, and an equal amount will be reappropriated from HCPF.

Staff

DOC requires 2.0 FTE beginning in FY 2025-26 to support Medicaid billing and coordination of reentry health services and pharmaceuticals. Staff will coordinate billing, track Medicaid eligibility of services and pharmaceuticals, and ensure compliance with federal requirements. Costs include standard DOC training and software costs and leased space for 1.0 FTE at \$4,650.

Electronic Health Record System Update

DOC requires one-time funds of \$45,000 in FY 2025-26 only to contract to update the electronic health records system to accommodate new information and data points.

Medicaid billing Services

DOC requires approximately \$345,000 annually beginning in FY 2025-26 to procure a third party billing agent to facilitate the billing code entry to HCPF. This estimate assumes there will be 43,200 claims annually and the average cost per claim entry will be \$8.

Medicaid-eligible reentry services

There will be a shift in funding for Medicaid-eligible reentry services. DOC will receive \$3,750,994 in FY 2025-26 and ongoing from reappropriated funds from HCPF, includes \$2,005,975 for reentry services and \$1,745,019 for the purchase of pharmaceuticals. There is also a corresponding decrease in GF appropriations by the same amount for these services. There is no change in total spending in DOC for these services.

Table 7
State Expenditures
Department of Corrections

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27
Personal Services	\$138,084	\$138,084
Operating Expenses	\$3,306	\$3,306
Capital Outlay Costs	\$17,440	\$0
Leased Space	\$4,650	\$4,650
EHR System Update	\$45,000	\$0
Medicaid Billing Services	\$345,600	\$345,600
Medicaid-Eligible Services (RF)	\$3,750,994	\$3,750,994
Medicaid-Eligible Services (GF)	-\$3,750,994	-\$3,750,994
Centrally Appropriated Costs	\$37,686	\$37,686
Total Costs	\$591,766	\$529,326
Total FTE	2.0 FTE	2.0 FTE

Department of Human Services

As shown in Table 8, expenditures in CDHS will increase on net by \$44,269 beginning in FY 2025-26 for administrative costs to support the implementation of Medicaid-eligible HRSN and reentry services, paid from reappropriated HCPF funds. There will be a net-neutral impact in appropriation for Medicaid-eligible services in the CDHS. The department's General Fund appropriation will decrease, and an equal amount will be reappropriated from HCPF.

Staff

CDHS requires 0.3 FTE beginning in FY 2025-26 to support Medicaid billing and coordination of eligible services.

Medicaid Billing Services

CDHS requires approximately \$10,000 annually beginning in FY 2025-26 to procure a third party billing agent to facilitate the billing code entry to HCPF. This estimate assumes there will be 1,304 claims annually and the average cost per claim entry will be \$8.

Table 8
State Expenditures
Department of Human Services

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27
Personal Services	\$27,548	\$27,548
Medicaid Billing Services	\$10,432	\$10,432
Medicaid-Eligible Services (RF)	\$817,784	\$817,784
Medicaid-Eligible Services (GF)	-\$817,784	-\$817,784
Centrally Appropriated Costs	\$6,289	\$6,289
Total Costs	\$44,269	\$44,269
Total FTE	0.3 FTE	0.3 FTE

Expanded Services

After accounting for all the transfers, increased federal matching funds, and administrative expenses described above, about \$14 million per year will be available in the HRSN Reinvestment Cash Fund and the Reentry Services Reinvestment Cash Fund to expand services for health-related social needs and reentry services. It is assumed that spending decisions on how to use money in these funds will be made through the annual budget process or in future legislation, rather than in this bill.

Centrally Appropriated Costs

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in the expenditure table(s) above.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2025-26, the bill includes numerous adjustments to appropriations, as outlined below.

Health Care Policy and Financing

The bill **increases** total appropriations to the Department of Health Care Policy and Financing by \$20,817,867. This includes:

- \$12,191,459 from the General Fund;
- \$2,371,403 from cash funds, of which \$28,363 is from the Reentry Services for Justice-Involved Individuals Reinvestment Cash Fund, \$124,448 is from the Health-Related Social Needs Reinvestment Cash Fund, and \$2,218,592 is from the Affordable Housing Support Fund; and
- \$6,225,005 from federal funds.

Reappropriations to Other Agencies

The bill **increases** reappropriations from the Department of Health Care Policy and Financing to other agencies by \$13,008,619, including:

- \$4,305,074 to the Department of Corrections;
- \$855,764 to Department of Human Services; and
- \$7,847,781 to the Department of Local Affairs.

Reductions to Other Agencies

The bill **decreases** General Fund appropriations by \$12,191,459, as follows:

- \$3,750,994 to the Department of Corrections;
- \$817,784 to the Department of Human Services; and
- \$7,622,681 to the Department of Local Affairs.

The bill **decreases** appropriations from the Affordable Housing Support Fund by \$2,218,592 to the Department of Local Affairs.

State and Local Government Contacts

Health Care Policy and Financing

Joint Budget Committee