HB 25-1213

Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 25-1213: UPDATES TO MEDICAID

Prime Sponsors:
Rep. Feret; Weinberg
Sen. Daugherty; Ball

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Bill Outcome: Signed into Law
Drafting number: LLS 25-0820

Version: Final Fiscal Note
Date: August 11, 2025

Fiscal note status: This final fiscal note reflects the enacted bill. It has been updated to reflect new information received after the legislature adjourned sine die and impacts resulting from the passage of the federal One Big Beautiful Bill Act in July 2025.

Summary Information

Overview. The bill modifies the state Medicaid program, including the implementation of a State Directed Payment program with federal approval, and exempts small assisted living facilities from certain regulations.

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

- State Revenue
- State Expenditures

Appropriations. For FY 2025-26, the bill requires, but does not include, an appropriation of $725 million to the Department of Health Care Policy and Financing. See State Appropriations section for additional information.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
State Revenue	$279 million	$290 million	$278 million
State Expenditures	$725 million	$754 million	$724 million
Transferred Funds	$0	$0	$0
Change in TABOR Refunds	$0	$0	$0
Change in State FTE	0.0 FTE	0.0 FTE	0.0 FTE

Table 1A
State Revenue

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
General Fund	$0	$0	$0
Cash Funds	$279 million	$290 million	$278 million
Total Revenue	**$279 million**	**$290 million**	**$278 million**

Table 1B
State Expenditures

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
General Fund	$0	$0	$0
Cash Funds	$279 million	$290 million	$278 million
Federal Funds	$446 million	$464 million	$445 million
Centrally Appropriated	$0	$0	$0
Total Expenditures	**$725 million**	**$754 million**	**$724 million**
Total FTE	**0.0 FTE**	**0.0 FTE**	**0.0 FTE**

Summary of Legislation

The bill makes several changes to the state Medicaid program, implements a State Directed Payment program upon federal approval, and exempts certain assisted living facilities from compliance standards.

Medicaid

The bill modifies administrative, eligibility, billing, and review requirements within the state's Medicaid program under the Department of Health Care Policy and Financing (HCPF), including:

- requiring HCPF to establish a process to review and update the general billing manual on an annual basis;
- requiring a managed care organization (MCO) to issue payment to a contracted provider within one year for a claim that is reprocessed after updating provider rates;
- expanding contract requirements between HCPF and MCOs;
- expanding the definition of qualified individuals to select options groups, as permitted by the federal government;
- prohibiting HCPF from imposing signature requirements beyond what is required by CMS on a physician or practitioner who is certifying a member's plan of care that involves physical, occupational, or speech therapy services; and
- requiring HCPF to confirm and communicate the timeline for continuity of treatment for members receiving long-term care services that have been discontinued.

The bill also extends quarterly reporting requirements on the system of care for children and youth with complex behavioral needs to the department's implementation and leadership teams and the General Assembly. The report must include the rationale for any recommendation from the leadership team that HCPF elects not to implement.

State Directed Payment Program

The bill requires HCPF and the Colorado Health Care Affordability and Sustainability Enterprise (CHASE) to seek federal authorization to fund and implement a State Directed Payment (SDP) program. It further clarifies that transfers from governmental health care providers to the CHASE are not considered grants, and are thus not counted toward the enterprise's 10 percent limit on annual revenue from state and local government sources. Lastly, the enterprise may receive and expend public funds in the Health Care Affordability and Sustainability (HAS) Cash Fund.

Assisted Living Facilities

The bill requires the Colorado Department of Public Health and Environment (CDPHE) to exempt an assisted living facility that has not undergone new construction or renovations from complying with certain facility guidelines.

Background and Assumptions

Implementation

SDPs are financial mechanisms that enable state Medicaid programs to instruct MCOs to make targeted payments to health care providers up to the average commercial rate, rather than the standard Medicaid reimbursement rate. As of July 1, 2025, HCPF submitted the SDP program proposal for federal approval with an expected six-month approval timeline. The fiscal note assumes that HCPF will implement the SDP program and receive intergovernmental transfers by January 1, 2026.

Federal Changes

Beginning July 4, 2025, the federal One Big Beautiful Bill Act (H.R. 1) sets the payment limit for SDPs to 110 percent of Medicare rates for non-expansion states and 100 percent of Medicare rates for expansion states. For states that newly expand Medicaid, all SDPs will be subject to this provision, even if previously approved. However, existing state SDPs are grandfathered into a January 1, 2028, effective date, when payments will begin to reduce by 10 percent annually until the new cap is reached.

By submitting the SDP request for federal approval prior to the July 4, 2025 effective date of H.R. 1, the fiscal note assumes that Colorado's SDP program will be grandfathered into the later 2028 reduction date.

State Revenue

The bill is estimated to increase state revenue by $279 million in FY 2025-26 and $290 million in FY 2026-27 to the HAS Cash Fund in HCPF from intergovernmental transfers initiated by Denver Health and the University of Colorado Hospital. In FY 2027-28, this new revenue will decrease by an estimated 6 percent, and beginning in FY 2028-29, revenue will decrease by 10 percent annually until SDP reaches the Medicare payment parity rate. This revenue is exempt from TABOR limits, and is subject to change based on factors described in the State Expenditures section.

State Expenditures

The bill increases state expenditures in HCPF by an estimated $725 million in FY 2025-26 and $754 million in FY 2026-27, paid from the HAS Cash Fund, and federal funds. Workload will also minimally increase in the Department of Public Health and Environment as described below.

Department of Health Care Policy and Financing

HCPF expenditures for State Directed Payments to MCOs will increase by an estimated $725 million in FY 2025-26 and $754 million in FY 2026-27. Beginning in 2028 and in compliance with federal law, SDPs are expected to decrease by 10 percent annually until they reach 100 percent of the Medicare rate.

Funding providers through SDPs, rather than an upper payment limit, increases the payment cap and allows the state to draw down additional federal funds for the same services rendered. The total amount of SDPs will depend on a variety of factors including the available state share of funding for payments, intergovernmental transfers, the federal match rate, service utilization by providers, the average commercial rate, and federal approval of the program's design. The $725 million expenditure estimate is based on the final SDP program proposal submitted for federal approval, which the fiscal note assumes is accurate, but is subject to change.

Workload in HCPF will also minimally increase to update rules, publish medical loss ratio data, engage with members receiving long-term care services, and implement provisions in the bill. No further change in appropriations is required for this work.

Department Public Health and Environment

Workload in the CDPHE will minimally increase to assist the Board of Health with rule modification and conduct outreach to exempted facilities. The department may require legal services, provided by the Department of Law, related to rulemaking and implementation. Concurrently, workload to conduct facility inspections may minimally decrease from a reduction in regulatory guidelines that facilities must comply with. This workload is expected to be minimal and no change in appropriations is required.

Statutory Public Entity

The bill will increase expenditures by Denver Health, the University of Colorado Hospital, and other government-operated health facilities for SDP payments to the CHASE enterprise in HCPF starting in FY 2025-26. It is assumed that additional SDP costs for these facilities will be offset by increased Medicaid reimbursement that result from additional federal matching funds becoming available.

State Appropriations

For FY 2025-26, the bill requires, but does not include, the following appropriation to the Department of Health Care Policy and Financing:

- $279 million from the HAS Cash Fund; and
- $446 million from federal funds.

These costs were identified after the bill was sent to the Governor for signature and were not considered by the General Assembly. Therefore, the bill does not include an appropriation.

Effective Date

The bill was signed into law by the Governor on May 28, 2025 and took effect on August 6, 2025.

State and Local Government Contacts

Health Care Policy and Financing

Public Health and Environment

Law