Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 26-1018: LONG-TERM CARE SERVICES FOR NURSING HOME RESIDENTS

Prime Sponsors:
Rep. Jackson; Joseph
Sen. Amabile

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Fiscal note status: This fiscal note reflects the introduced bill.

Summary Information

Overview. The bill establishes a long-term support services presumptive eligibility program for Medicaid members transitioning out of nursing facilities.

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

- State Expenditures

Appropriations. For FY 2026-27, the bill requires an appropriation of $103,680 to the Department of Health Care Policy and Financing.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29	Out Year FY 2029-30
State Revenue	$0	$0	$0	$0
State Expenditures	$124,177	$1,695,014	$2,114,531	$1,580,520
Transferred Funds	$0	$0	$0	$0
Change in TABOR Refunds	$0	$0	$0	$0
Change in State FTE	0.8 FTE	2.5 FTE	3.6 FTE	3.0 FTE

Fund sources for these impacts are shown in the tables below, and include estimated costs to implement the bill despite a provision stating that the Department of Health Care Policy and Financing must implement the bill within existing appropriations.

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Table 1A
State Expenditures

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29	Out Year FY 2029-30
General Fund	$51,840	$817,656	$1,022,052	$768,927
Cash Funds	$0	$0	$0	$0
Federal Funds	$51,840	$817,656	$1,007,508	$739,838
Centrally Appropriated	$20,497	$59,702	$84,971	$71,755
Total Expenditures	**$124,177**	**$1,695,014**	**$2,114,531**	**$1,580,520**
Total FTE	**0.8 FTE**	**2.5 FTE**	**3.6 FTE**	**3.0 FTE**

Summary of Legislation

The bill establishes a presumptive eligibility process under Colorado's Medicaid program, Health First Colorado, for individuals transitioning out of nursing facilities to receive long-term services and supports (LTSS), including home- and community-based services (HCBS). Under the bill, eligibility determination and service enrollment must occur prior to discharge to reduce delays in care and prevent extended or unnecessary nursing facility stays for individuals who meet functional eligibility requirements.

By January 1, 2029, and each year thereafter, the Department of Health Care Policy and Financing (HCPF) must submit and publish a report detailing the number of individuals discharged from nursing facilities, the timeliness of eligibility determinations and service enrollment, and instances in which services were not in place at discharge. The State Auditor may conduct audits related to delays identified in the report. Counties that repeatedly fail to timely enroll eligible individuals may have enrollment responsibilities transferred, while nursing facilities that fail to timely discharge individuals are subject to Medicaid billing penalties.

Implementation of the bill is contingent on federal authorization and requires HCPF to modify the state plan and HCBS waivers.

Background and Assumptions

DOJ Settlement

In 2024, Colorado entered into a voluntary settlement agreement with the U.S. Department of Justice (DOJ) following litigation alleging that the state's LTSS system resulted in the unnecessary institutionalization of individuals in nursing facilities. As part of the settlement, HCPF is required to implement a series of programmatic initiatives, including in-reach counselling, rapid reintegration, at-risk identification, housing support, and presumptive eligibility. The fiscal note assumes that implementation of the bill does not alter or replace the state's existing obligations under the DOJ settlement agreement. Additional information is provided in the Technical Note.

Waiver Presumptive Eligibility Program

The DOJ settlement requires HCPF to implement a presumptive eligibility process upon receipt of federal authorization, which was submitted in December 2024. The proposed program mirrors existing LTSS eligibility determinations in which financial eligibility is managed by county departments of human or social services, and functional eligibility, service authorization, and transition coordination are administered by local contract entities. The proposed waiver program also targets individuals with disabilities who self-attest to functional and financial eligibility and meet certain crisis criteria. In October 2025, the federal Centers for Medicare and Medicaid Services (CMS) verbally notified HCPF that Colorado's Section 1115 demonstration waiver would be renewed as a no-cost extension while continuing to review the request. Therefore, the department does not currently operate a presumptive eligibility program, but expects to receive approval by July 2027.

In contrast, the presumptive eligibility program outlined in the bill requires nursing facilities to determine transition feasibility, county departments to enroll members in LTSS, and targets individuals already residing in nursing facilities who meet full functional eligibility and are likely already Medicaid eligible, without meeting crisis criteria. Therefore, the fiscal note assumes that the bill requires HCPF to establish and administer an additional presumptive eligibility process that targets a broader population, rather than expanding the existing framework. As a result, the department will operate multiple, independent presumptive eligibility workflows concurrently: the program required by the DOJ settlement and the program required by the bill.

Federal Authorization

Because implementation of the bill relies on federal authorization, including potential waiver amendments or state plan changes, it is possible that the implementation timelines and fiscal impacts presented below could be delayed or not realized. For purposes of the fiscal note, however, it is assumed that HCPF will receive the necessary federal authorization by January 2028 and the program will be in place by January 2029.

State Expenditures

The bill specifies that HCPF must implement the bill within existing appropriations; however, the fiscal note estimates that HCPF will have costs of about $124,000 in FY 2026-27, $1.7 million in FY 2027-28, $2.1 million in FY 2028-29 and $1.6 million in FY 2029-30 upon full program implementation. These costs, paid from the General 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 2026-27	Out Year FY 2027-28	Out Year FY 2028-29	Out Year FY 2029-30
Personal Services	$95,655	$252,127	$352,318	$303,769
Operating Expenses	$1,025	$3,200	$4,608	$3,840
Capital Outlay Costs	$7,000	$21,000	$0	$0
Nursing Facility Services	$0	$0	-$442,690	-$885,379
Long Term Support Services	$0	$0	$255,944	$511,889
Information System Updates	$0	$1,358,985	$1,369,112	$644,112
Contract Staff and Training	$0	$0	$477,801	$905,602
Additional Payments	$0	$0	$12,467	$24,934
Centrally Appropriated Costs	$20,497	$59,702	$84,971	$71,755
Total Costs	**$124,177**	**$1,695,014**	**$2,114,531**	**$1,580,520**
Total FTE	**0.8 FTE**	**2.5 FTE**	**3.6 FTE**	**3.0 FTE**

Staff Costs

Beginning in FY 2026-27, HCPF requires 1.0 FTE Program Management III to manage federal authorization, state plan, and waiver amendments, and to implement the new presumptive eligibility program across all affected entities. Staff costs and FTE are prorated in the first year based on a September 2026 start date.

Beginning in FY 2027-28, HCPF requires 3.0 FTE following federal authorization to implement the presumptive eligibility program, as follows:

- 1.0 FTE Analyst IV to oversee information system updates and manage vendors. Staff costs and FTE are based on a January 2028 start date and a January 2029 end date.
- 1.0 FTE Administrator V to draft policy, oversee counties in the adoption of new program assessment and eligibility requirements, and monitor counties for compliance. Staff costs and FTE are based on a January 2028 start date and are ongoing.

- 1.0 FTE Auditor III to collect data, review nursing facility discharges, assess compliance, and seek financial penalties for non-compliance. Staff costs and FTE are based on a January 2028 start date and are ongoing.

Shifting Service Costs

On net, the department is estimated to save about $187,000 in FY 2028-29 and $374,000 beginning in FY 2029-30 as costs shift from nursing facilities services to long term support services. The amount of savings under the bill depends on a variety of factors, including the number of individuals enrolled in presumptive eligibility, per diem rates, and the timeliness of transition. This estimate assumes that:

- presumptive eligibility transitions will begin January 1, 2029;
- nursing facility per diem rates will remain at $239.94;
- LTSS per diem rates will increase from $133.25 to $130.84 beginning in FY 2027-28;
- about 79 individuals will meet the requirements for presumptive eligibility in the first year with increasing eligibility in future years;
- individuals will transition out of nursing facilities on average 45 days earlier than under current law; and
- 6 percent of members are eligible for state-only Medicaid funding and will not receive a federal match.

Based on these assumptions, HCPF expenditures for nursing facility services provided to Medicaid members will decrease by $443,000 in FY 2028-29 and $885,000 beginning in FY 2028-29 as individuals transition into the community more quickly. At the same time, HCPF expenditures for LTSS services will increase by $256,000 in FY 2028-29 and $512,000 beginning in FY 2028-29.

Information System Updates

In FY 2027-28 and FY 2028-29, the bill increases HCPF expenditures by $1.3 million to update the Medicaid Management Information System (MMS) and the Colorado Benefits Management System (CBMS) to create new program requirements, update prior authorization and assessment processes, add benefit and eligibility categories, and test the systems. The bill also increases annual expenditures by an additional $644,000 to update the Care and Case Management (CCM) system to temporarily waive functional assessment requirements when placing members who are financially eligible for LTSS.

Contract Staff and Training

Beginning in FY 2028-29, the bill increases HCPF expenditures for county case management and nursing facility staff. Specifically, the department must provide staff and training for county departments to enroll eligible members in LTSS and nursing facilities to determine functional eligibility and coordinate transition activities. Actual costs will be determined through the contracting process.

Additional Payments

Beginning in FY 2028-29, state expenditures will increase for HCPF to reimburse nursing facilities that perform in-reach transition assessments and Case Management Agencies that complete level of care screenings earlier in the process and for members that may not transition.

Legal Services

HCPF may require legal services, provided by the Department of Law, which can be accomplished within existing legal services appropriations. Legal counsel is related to rulemaking, implementation, and ongoing administration of the program.

Other Agency Impacts

Workload will increase for the Office of the State Auditor to review the annual report submitted by HCPF, and conduct discretionary audits. This workload is expected to be minimal and no change in appropriations is required.

Local Government

Expenditures will increase for county departments of health and social services to perform financial eligibility and enroll Medicaid members in the presumptive eligibility program. HCPF will reimburse counties for these allowable administrative costs using a combination of General Fund and federal matching funds, as discussed above.

Technical Note

The Department of Health Care Policy and Financing has indicated that compliance with certain provisions of the bill may put the DOJ settlement agreement at risk. If found to be violating the agreement or out of compliance, the federal government may seek injunctive relief and/or a judicial remedy that results in fines, fees, or other settlement expenditures.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

The bill includes a provision stating that the Department of Health Care Policy and Financing must implement the bill within existing appropriations. However, the fiscal note estimates that the bill requires appropriations of $103,680 and 0.8 FTE to HCPF for FY 2026-27, including:

- $51,840 from the General Fund; and
- $51,840 from federal funds.

State and Local Government Contacts

Counties	Local Affairs
Health Care Policy and Financing	Public Health and Environment
Law	State Auditor