



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 26-1327: LARGE EMPLOYER WORKER HEALTH-CARE SUPPORT

Prime Sponsors:

Rep. Feret
Sen. Mullica

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Published for: House Health & Human Services

Drafting number: LLS 26-0442

Version: Initial Fiscal Note

Date: March 16, 2026

Fiscal note status: This fiscal note reflects the introduced bill. Due to time constraints, this analysis is preliminary and will be updated following further review and any additional information received.

Summary Information

Overview. The bill creates the Large Employer Health-Care Support Enterprise in the Department of Health Care Policy and Financing to collect fees from large employers of state Medicaid-enrolled individuals.

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

- State Revenue
- State Expenditures
- State Transfers

Appropriations. For FY 2026-26, the bill requires an appropriation of \$179,045 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 | At least \$57.5M | At least \$57.5M |
| State Expenditures | \$203,633 | \$954,363 | \$748,900 | \$748,900 |
| Transferred Funds | \$95,000 | \$50,461 | \$50,461 | \$0 |
| Change in TABOR Refunds | \$0 | \$0 | \$0 | \$0 |
| Change in State FTE | 1.3 FTE | 5.1 FTE | 5.1 FTE | 5.1 FTE |

Revenue amounts are in millions (M) of dollars. Expenditures reflect the net change in expenditures after accounting for increased cash fund spending offsetting General Fund spending. Fund sources for these impacts are shown in the tables below.

**Table 1A
 State Revenue**

| Fund Source | Budget Year FY 2026-27 | Out Year FY 2027-28 | Out Year FY 2028-29 | Out Year FY 2029-30 |
|----------------------|-----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| General Fund | \$0 | \$0 | \$0 | \$0 |
| Cash Funds | \$0 | \$0 | At least \$57.5M | At least \$57.5M |
| Total Revenue | \$0 | \$0 | At least \$57.5M | At least \$57.5M |

Revenue amounts are in millions (M) of dollars.

**Table 1B
 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 | \$0 | \$507,469 | -\$56,751,100 | -\$56,751,100 |
| Cash Funds | \$89,523 | \$5,477 | \$57,072,583 | \$57,072,583 |
| Federal Funds | \$89,523 | \$326,782 | \$312,782 | \$312,782 |
| Centrally Appropriated | \$24,588 | \$114,635 | \$114,635 | \$114,635 |
| Total Expenditures | \$203,634 | \$954,363 | \$748,900 | \$748,900 |
| Total FTE | 1.3 FTE | 5.1 FTE | 5.1 FTE | 5.1 FTE |

**Table 1C
 State Transfers**

| Fund Source | Budget Year FY 2026-27 | Out Year FY 2027-28 | Out Year FY 2028-29 | Out Year FY 2029-30 |
|---------------------|-----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| General Fund | -\$95,000 | \$50,461 | \$50,461 | \$0 |
| Cash Funds | \$95,000 | -\$50,461 | -\$50,461 | \$0 |
| Net Transfer | \$0 | \$0 | \$0 | \$0 |

Summary of Legislation

The bill creates the Large Employer Health-Care Support Enterprise in the Department of Health Care Policy and Financing (HCPF) to collect fees from large employers with employees who are enrolled in Medicaid.

Applicability

The bill applies to employers with 500 or more employees enrolled in the state Medicaid program, not including workers who are under 18 years old or who are seasonally employed.

The bill further exempts employers who:

- provide affordable health coverage as defined by the federal Patient Protection and Affordable Care Act (ACA);
- are franchisees;
- are registered nonprofits;
- are public employers; or
- have collective bargaining agreements with their employees.

Large Employer Health-Care Support Enterprise

The Large Employer Health-Care Support Enterprise is created to fund medical assistance benefits for employees at large employers who are enrolled in the state's Medicaid program, and to increase reimbursement rates for Medicaid providers.

Large Employer Report

By March 1, 2028, and each year thereafter, HCPF must compile and publish a report that identifies each large employer subject to the fee, their employer identification number, and the number of applicable employees enrolled in Medicaid. Large employers identified in the report may contest their inclusion in the report.

Fee Assessment

By August 1, 2028, and each year thereafter, large employers must either pay a \$2,300 fee per Medicaid-enrolled worker or demonstrate that it offers affordable health coverage. Fee revenue is paid to the Department of Revenue (DOR) on behalf of the enterprise, and credited to the newly created Large Employer Health-Care Support (LEHCS) Cash Fund. However, if the enterprise anticipates collecting more than \$100 million of revenue over the first five years, fee revenue is instead credited to the Large Employer Fee Cash Fund, also created by the bill. Any excess revenue deposited to the Large Employer Fee Cash Fund is not considered enterprise revenue, is subject to annual appropriation by the General Assembly, and is subject to TABOR, but can be used for the same purposes as the enterprise.

Fund Use

The enterprise may spend funds from the LEHCS Cash Fund to pay Medicaid costs for employees of large employers who are enrolled in Medicaid, increase provider reimbursements rates, as well as to cover administrative costs incurred in HCPF and the DOR. Prior to the start of fee collection, the State Treasurer may transfer up to \$95,000 from the General Fund to the LEHCS Cash Fund to cover initial costs of the enterprise.

Subject to annual appropriations, HCPF is also authorized to expend fee revenue collected in the Large Employer Fee Cash Fund for medical assistance benefits and increased reimbursement rates for Medicaid providers.

Penalties

Large employers that do not pay the fee, demonstrate an exemption, or comply with requests for data commit a petty offense and are subject to a civil penalty of \$2,300 per Medicaid-enrolled employee.

Enterprise Governance

The enterprise is governed by a board of directors, who may adopt rules, impose fees on large employers, assess penalties, and implement the new program. The enterprise may contract with HCPF for office space and administrative staff, and must use the Department of Law for legal services. The enterprise must submit an annual report to the General Assembly regarding its activities and funding

Background and Assumptions

Eligible Population

The fiscal note estimates that at least 25,000 Medicaid-enrolled workers are employed by employers subject to the bill's enterprise fee. This estimate is based on the following data and assumptions.

Colorado Enrollment Data

As of February 2026, approximately 1.2 million Coloradans were enrolled in the state Medicaid program. Of that amount, about 556,000 are adults under age 65 without disabilities. National research indicates that approximately 64 percent of Medicaid-enrolled adults work full- or part-time, and about 48 percent of that working population is employed by organizations with more

than 100 employees.¹ Applying these proportions to the Colorado population results in an estimated 171,000 Medicaid-enrolled workers employed by organizations with more than 100 employees.

However, the bill applies only to a subset of these workers. Specifically, the enterprise fee is assessed on employers with 500 or more Medicaid-enrolled workers and excludes employers that meet the bill's exemption criteria. Because administrative data do not identify Medicaid-enrolled workers simultaneously by employer size and exemption status, the fiscal note applies further assumptions.

Employer Size Assumptions

First, the fiscal note assumes that 33 percent of Medicaid-enrolled workers employed by organizations with more than 100 employees are employed by organizations that meet the bill's employer size criteria. This assumption reflects national employment data showing that organizations with 500 or more employees account for a disproportionate share of employment despite representing a small share of organizations.² Applying this assumption to the 171,000 workers identified above results in an estimated average of 56,000 workers employed by organizations meeting the bill's definition of large employer.

Exemption Status Assumptions

Second, the fiscal note assumes that 45 percent of these workers are employed by employers that qualify for one or more statutory exemptions. This assumption reflects national labor market characteristics, including the share of workers employed by nonprofit organizations and workers covered by collective bargaining agreements. Specifically, nonprofit organizations account for approximately 11 percent of employment nationally,³ and about 6 percent of private-sector workers are represented by unions.⁴ In addition, survey data indicate that many Medicaid workers employed by organizations offering health insurance are ineligible for coverage because they do not work enough hours, suggesting that employer coverage thresholds remain a significant barrier to eligibility.⁵ Applying these assumptions results in an estimated 25,000 Medicaid-enrolled workers employed by employers subject to the enterprise fee.

¹ KFF, [Understanding the Intersection of Medicaid and Work](#), 2025.

² U.S. Census Bureau, [2022 SUSB Annual Data Tables by Establishment Industry](#), 2025.

³ U.S. Bureau of Labor Statistics, [Nonprofit Sector Research Data](#), 2022.

⁴ U.S. Bureau of Labor Statistics, [Union Membership Annual News Release](#), 2026.

⁵ KFF, [Medicaid Workers and Job-Based Insurance](#), 2026.

Medical Service Premiums

Beginning in FY 2028-29, the enterprise will begin collecting fee revenue that can be used to pay for medical assistance benefits in the state Medicaid program. The fiscal note assumes that fee revenue will replace General Fund expenditures for the same services and populations as under current practice. Further, it is assumed that all enterprise revenue, after accounting for administrative costs, and all non-enterprise revenue deposited to the Large Employer Fee Cash Fund, will be used to pay medical service premiums for enrolled members, and will solely be used to offset General Fund costs for the covered population.

Thus, no change to federal matching funds or contributions from the Health Affordability and Sustainability (HAS) Cash Fund are estimated. However, federal matching rates and HAS Cash Fund contributions may vary depending on the exact populations served and benefits provided.

Reimbursement Rates

The bill permits fee revenue to be used for provider rate increases. However, the fiscal note cannot estimate impacts for rate reimbursement due to the wide number of factors affecting provider rates and the range of potential actions taken by the enterprise, the department, and the General Assembly. If fee revenue under the bill is used to increase provider rates relative to current law, overall Medicaid expenditures will increase and the amount of General Fund offset by fee revenue will decrease relative to the fiscal note estimate.

Enterprise Revenue Restrictions

Proposition 117, approved by voters in 2020, requires voter approval for a state enterprise to be created if its projected or actual revenue exceeds \$100 million in its first five fiscal years. State law requires that an enterprise stop collecting fees or surcharges if the collection of additional fees or surcharges would cause it to exceed this limit, and voters have not previously approved such collections.

The bill requires the enterprise to notify the State Treasurer if revenue is expected to exceed \$100 million in the first five years, after which the State Treasurer must credit any excess fee revenue to the Large Employer Fee Cash Fund, rather than to the LEHCS Fee Cash Fund. As a result, the enterprise stays below the statutory revenue cap and does not trigger voter approval to continue collecting fees. Based on the estimated revenue discussed below, the enterprise is expected to surpass \$100 million in its second year; therefore, the fiscal note assumes that the State Treasurer will be notified, fee revenue will be credited to the second fund, and the fee on large employers will continue being collected.

Transfer Amount and Date

The fiscal note assumes that the State Treasurer will transfer the maximum amount of \$95,000 from the General Fund to the LEHCS Cash Fund in FY 2026-27. If a lesser amount is transferred, funding sources for administrative costs and loan payment timelines will shift.

Collective Bargaining Agreements

To the extent that large employers choose to enter into collective bargaining agreements with employees rather than pay the fee, revenue will decrease relative to this fiscal note estimate. The fiscal note assumes that employers will not seek to enter into these agreements and will pay the applicable fee.

Comparable Crime Analysis

Legislative Council Staff is required to include certain analysis in the fiscal note for any bill that creates a new crime, or that either reclassifies or creates a new factual basis for an existing crime. This section identifies comparable crimes and discusses assumptions on future conviction rates resulting from the bill.

Prior Conviction Data and Assumptions

This bill creates the new unclassified petty offense of failing to pay the large employer health-care support fee, demonstrating an exemption, or providing employer data. To form an estimate on the prevalence of this new crime, the fiscal note analyzed the existing offense of an employer failing to produce information required by the Division of Labor as a comparable crime. From FY 2022-23 to FY 2024-25, zero offenders have been sentenced and convicted for this existing offense; therefore, the fiscal note assumes that there will be minimal or no additional case filings or convictions for the new offense under the bill. Because the bill is not expected to have a tangible impact on criminal justice-related expenditures or revenue at the state or local levels, these potential impacts are not discussed further in this fiscal note.

State Revenue

The bill increases state cash fund revenue by at least \$57.5 million beginning in FY 2028-29 to the LEHCS Cash Fund in HCPF from increased fees imposed on certain large employers, as shown in Table 2 and discussed below. It may also increase state revenue from penalties, bonds, and gifts, grants, and donations. Enterprise revenue and gifts, grants, and donations are exempt from TABOR revenue limits, while civil penalties are subject to TABOR.

Table 2
Large Employer Health-Care Support Enterprise Revenue

| Fund Source | Out Year FY 2028-29 | Out Year FY 2029-30 |
|---------------------------|--------------------------------|--------------------------------|
| Large Employer Fee | \$2,300 | \$2,300 |
| Medicaid-Enrolled Workers | At least 25,000 | At least 25,000 |
| Total Revenue | At least \$57.5M | At least \$57.5M |

Fee revenue will not be received in FY 2026-27 or FY 2027-28, and these years have been omitted from Table 2.

Fee Impact on Large Employers

Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. As discussed in the Background and Assumptions section above, the fiscal note assumes that at least 25,000 Medicaid-enrolled workers are employed by employers subject to the \$2,300 fee. Therefore, it is estimated that fee revenue will increase by at least \$57.5 million per year beginning in FY 2028-29. Actual fee revenue depends on actions taken by large employers, Medicaid enrollment trends, and fee setting decisions made by the enterprise. An estimate on the exact number of employers affected by the new fee is not available, but is assumed to be less than 50 businesses.

Civil Penalties

Under the bill, large employers that fail to pay applicable fees, demonstrate an exemption, or comply with a request for data may be subject to a civil penalty of \$2,300 per Medicaid-enrolled employee, credited to the LEHCS Cash Fund. It is assumed that large employers will comply with the bill and that civil penalties will not be imposed. Regardless, revenue will remain the same as the civil penalty is equivalent to fee assessment.

Bond Revenue

The enterprise is allowed to issue revenue bonds. The decision to issue bonds and the amount of any bonds will be made by the enterprise board; thus, bond revenue, if any, cannot be estimated by the fiscal note.

Gifts, Grants, and Donations

The bill potentially increases state revenue to the LEHCS Cash Fund from gifts, grants, or donations; however, no sources have been identified at this time.

State Transfers

The bill allows a one-time transfer of \$95,000 from the General Fund to the LEHCS Cash Fund in FY 2026-27. This transfer is a loan to the enterprise and must be repaid with interest to the General Fund by July 1, 2029. The fiscal note assumes that the loan will be repaid in equal installments in FY 2027-28 and FY 2028-29 with an interest rate of approximately 4.1 percent; therefore, loan repayment is expected to be about \$50,500 per year.

State Expenditures

The bill increases state expenditures by \$204,000 in FY 2026-27, \$954,000 in FY 2027-28, and \$749,000 in future years. These costs, paid from the General Fund, federal funds, and fees on large employers, will be incurred in the Department of Health Care Policy and Financing and the Department of Revenue. The bill also increases workload in several other state agencies.

Table 3
State Expenditures
All Departments

| Department | Budget Year FY 2026-27 | Out Year FY 2027-28 | Out Year FY 2028-29 | Out Year FY 2029-30 |
|----------------------------------|-----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Health Care Policy and Financing | \$203,633 | \$768,198 | \$740,198 | \$740,198 |
| Revenue | \$0 | \$186,165 | \$8,702 | \$8,702 |
| Total Costs | \$203,633 | \$954,363 | \$748,900 | \$748,900 |

HCPF expenditures reflect the net impact, after accounting for fee revenue being used to offset General Fund costs for Medicaid. See Table 3A for more detail.

Department of Health Care Policy and Financing

The bill increases expenditures in HCPF to establish and administer the enterprises, as shown in Table 3A and discussed below. Medical service premium costs will also shift from the General Fund to the Large Employer Fee Cash Fund, but are not expected to materially change on net.

Table 3A
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 | \$108,454 | \$452,993 | \$452,993 | \$452,993 |
| Operating Expenses | \$1,280 | \$6,400 | \$6,400 | \$6,400 |
| Capital Outlay Costs | \$7,000 | \$28,000 | \$0 | \$0 |
| Contracting Fees | \$0 | \$140,400 | \$140,400 | \$140,400 |
| Meeting Costs | \$0 | \$5,000 | \$5,000 | \$5,000 |
| Medical Service Premiums (Fee Revenue) | \$0 | \$0 | \$56,751,100 | \$56,751,100 |
| Medical Service Premiums (General Fund) | \$0 | \$0 | -\$56,751,100 | -\$56,751,100 |
| Legal Services | \$62,312 | \$20,771 | \$20,771 | \$20,771 |
| Centrally Appropriated Costs | \$24,588 | \$114,635 | \$114,635 | \$114,635 |
| FTE – Personal Services | 1.0 FTE | 5.0 FTE | 5.0 FTE | 5.0 FTE |
| FTE – Legal Services | 0.3 FTE | 0.1 FTE | 0.1 FTE | 0.1 FTE |
| Total Costs | \$203,634 | \$768,198 | \$740,198 | \$740,198 |
| General Fund | \$0 | \$321,304 | -\$56,751,100 | -\$56,751,100 |
| Large Employer Fees | \$89,523 | \$5,477 | \$57,063,881 | \$57,063,881 |
| Federal Funds | \$89,523 | \$326,782 | \$312,782 | \$312,782 |
| Centrally Appropriated Costs | \$24,588 | \$114,635 | \$114,635 | \$114,635 |
| Total FTE | 1.3 FTE | 3.1 FTE | 3.1 FTE | 3.1 FTE |

“Large Employee Fees” reflects spending from both the LEHCS Cash Fund and the Large Employer Fee Cash Fund. It is assumed that the LEHCS Cash Fund will pay most listed expenses through FY 2029-30, and then spending will shift to the Large Employer Fee Cash Fund from FY 2030-31 to FY 2032-33. After FY 2033-34, all spending of fee revenue is assumed to occur from the LEHCS Cash Fund.

Staff

In FY 2026-27, HCPF requires 1.0 FTE to serve as the department's enterprise lead, coordinate the creation of the enterprise, engage with large employers, establish administrative policies, and present department recommendations to the board. Beginning in FY 2027-28, HCPF requires an additional 4.0 FTE to collect data from agencies and businesses, integrate data validation processes, determine employers subject to the fee, manage revenue collection, and perform accounting and administrative duties.

Contracting Fees

Beginning in FY 2026-27, HCPF requires an estimated \$140,000 to hire a contractor that will support enterprise analytics, evaluation, research, stakeholder engagement, and report submissions. Based on the scope of the new program, the fiscal note estimates that a contractor will perform 600 hours of work at a rate of \$234 per hour. Actual costs will be determined through the procurement process.

Meeting Costs

HCPF requires \$5,000 per year to host the enterprise board and reimburse members for meetings. This estimate is based on similar meeting costs for enterprises administered by the state.

Medical Service Premiums

As discussed in the Background and Assumptions section, the fiscal note assumes that fee revenue raised in the enterprise will be expended in full each year and directly replace existing medical service premiums paid from the General Fund. Therefore, no net change in costs is expected. However, funding sources for these costs will shift from the General Fund to the LEHCS Cash Fund and the Large Employer Fee Cash Fund, as shown in Table 3A. After accounting for administrative costs in HCPF and DOR, it is estimated that about \$56.8 million will be available from employer fees to replace existing General Fund expenditures. Any material change as a result of the bill will be addressed through the annual budget process.

Legal Services

HCPF requires 450 hours of legal services in FY 2026-27 and 150 hours in future years for rulemaking, program implementation, and ongoing support. Legal services are provided by the Department of Law at a rate of \$138.47 per hour.

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 may include employee insurance, supplemental employee retirement payments, indirect cost assessments, and other costs, are shown in the table above.

Department of Revenue

The DOR requires computer programming and data reporting costs to implement the bill. Costs are paid from the General Fund in FY 2027-28, and from the LEHCS Cash Fund in future years, as shown in Table 3B and discussed below.

**Table 3B
 State Expenditures
 Department of Revenue**

| Cost Component | Budget Year FY 2026-27 | Out Year FY 2027-28 | Out Year FY 2028-29 | Out Year FY 2029-30 |
|---------------------------------|-----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| GenTax Programming | \$0 | \$167,096 | \$0 | \$0 |
| Office of Research and Analysis | \$0 | \$8,778 | \$8,702 | \$8,702 |
| User Acceptance Testing | \$0 | \$10,291 | \$0 | \$0 |
| Total Costs | \$0 | \$186,165 | \$8,702 | \$8,702 |

Computer Programming and Testing

This bill requires one-time expenditures of \$177,387 in FY 2027-28 to program, test, and update database fields in the DOR's GenTax software system. Programming costs are estimated at \$146,514 representing 600 hours of contract programming at a rate of \$244.19 per hour. Costs for system testing include \$20,582 for 502 hours of innovation, strategy, and delivery programming support and \$10,291 for 251 hours of user acceptance testing, both at a rate of \$41 per hour.

Research and Analysis

Expenditures in the Office of Research and Analysis are required for changes in the related GenTax reports so that the department can access and document tax statistics related to the new tax policy. The Office of Research and Analysis within DOR will expend \$8,778 in FY 2027-28 and \$8,700 in FY 2028-29 and ongoing, representing about 230 hours at a rate of \$38 per hour.

Other State Agencies

Governor's Office

Workload will minimally increase for the Governor's Office of Boards and Commissions to make the required enterprise board appointments under the bill. This work can be accomplished within existing appropriations.

Department of Labor and Employment

The Department of Labor and Employment is assumed to have increased workload to enter into a data-sharing agreement with HCPF to provide employer and employee information necessary to identify large employers and number of applicable employees.

Cash Fund Creation—Departments of Personnel and Treasury

Workload will increase for the Departments of Personnel and Administration (DPA) and Treasury to manage and perform accounting for the cash fund created in the bill. While no appropriation is required at this time, these departments may seek additional funding through the annual budget process based on the cumulative impact of all cash funds created through legislation.

Technical Note

The bill requires HCPF to identify employers with 500 or more Medicaid-enrolled workers; however, the administrative data currently maintained by the department do not contain standardized employer identifiers or reliable employment information necessary to attribute Medicaid enrollment to specific employers. Because the bill allows, but does not require, data-sharing agreements with other state agencies that maintain employer and wage records, HCPF may not receive the information needed to implement the program. In addition, several provisions of the bill lack clear implementation guidance, including how to attribute workers employed by franchise locations, individuals with multiple employers, seasonal workers, and independent contractors. The department's systems also do not track employment duration needed to determine whether workers meet the bill's 60-day threshold. As a result, operational challenges may arise in identifying large employers, attributing supported workers, and resolving employer disputes.

Effective Date

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

State Appropriations

For FY 2026-27, the bill requires an appropriation of \$179,045, split evenly between the Large Employer Health-Care Support Cash Fund and federal funds, to the Department of Health Care Policy and Financing, and 1.0 FTE. Of this amount, \$62,312 is reappropriated to the Department of Law, with an additional 0.3 FTE.

State and Local Government Contacts

| | |
|-----------------------------------|---------------------|
| Governor’s Boards and Commissions | Regulatory Agencies |
| Health Care Policy and Financing | Revenue |
| Labor | Treasury |
| Law | |