



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 26-1328: MEDICAID NONEMERGENCY MEDICAL TRANSPORTATION

Prime Sponsors:

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Sen. Mullica; Kirkmeyer

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

Summary Information

Overview. The bill reclassifies and creates a new oversight structure for nonemergency medical transportation under Medicaid.

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 multiple appropriations and reductions in appropriations resulting in a net appropriation increase of \$1,559,473 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
State Revenue	\$0	\$0
State Expenditures	\$1,581,500	\$2,794,777
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	1.0 FTE	1.0 FTE

Fund sources for these impacts are shown in the tables below.

**Table 1A
State Expenditures**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	\$459,877	\$744,427
Cash Funds	-\$20,893,344	-\$42,395,699
Federal Funds	\$21,992,940	\$44,424,022
Centrally Appropriated	\$22,026	\$22,026
Total Expenditures	\$1,581,499	\$2,794,776
Total FTE	1.0 FTE	1.0 FTE

Summary of Legislation

The bill reclassifies and creates a new oversight structure for nonemergency medical transportation (NEMT) under Medicaid.

Service Reclassification

To draw down additional federal funds, the bill requires the Medicaid program operated by the Department of Health Care Policy and Financing (HCPF) to reclassify NEMT services as medical services rather than administrative services. This change requires federal approval through a state plan amendment (SPA), and the bill requires HCPF to make any necessary changes to the NEMT program to obtain SPA approval.

Per federal rule, HCPF cannot directly reimburse Medicaid members for anything other than an administrative service. As a result, this service reclassification will curtail NEMT mileage reimbursement paid directly to Medicaid members, as described in the Background and Assumptions Section.

Transportation Broker

Contract Phase-In

The bill requires the statewide transportation broker contract to be phased in one state region at a time and specifies that the contract cannot be considered phased in until demand for NEMT services is met, among other criteria. HCPF is required to promulgate rules and provide a toolkit for communication with Medicaid members at least 90 days prior to implementation the contract in their region.

Other Contract Requirements

The bill further specifies that the transportation broker will be responsible for:

- creating a network of NEMT providers;
- providing NEMT providers with any necessary trainings, technical support, and software;
- verifying Medicaid member service eligibility;
- scheduling NEMT trips; and
- processing NEMT provider payments.

The bill allows the transportation broker to require two days' notice for trip planning but otherwise restricts what program rules it may apply outside of those promulgated by HCPF.

HCPF Rulemaking and Transportation Community Advisory Board

The bill requires HCPF to promulgate NEMT rules and give 30-day's notice before implementing any rule change. These rules must among other things:

- prohibit transportation brokers or other entities from enacting policies that limit NEMT provider participation including trip caps and market-share restrictions;
- require reasonable accommodation of member requests for alternate or specific providers;
- establish a complaint process that is subject to reporting requirements; and
- establish storage requirements for video recordings of NEMT trips but does not require or prohibit these recordings.

The bill creates the Transportation Community Advisory Board to assist HCPF in promulgating rules for oversight of NEMT services. The board must meet quarterly, publish meeting minutes, and give opportunity for public comment. Board members serve without compensation or reimbursement and must include specific stakeholders

Eligibility Verification and Claim Denials

The bill requires the transportation broker or NEMT provider to verify a Medicaid member's eligibility for NEMT services during scheduling. If the member is later determined ineligible for NEMT services, the bill prohibits HCPF from denying the claim if the member was eligible for Medicaid and the provider acted in good faith and met all established procedural requirements. The bill requires HCPF to provide transportation providers with eligibility verification tools.

Provider Audits

The bill requires HCPF to audit a random group of NEMT providers and all transportation brokers annually to ensure compliance with established requirements.

Background and Assumptions

Implementation Timeline

The fiscal note assumes that the state plan amendment to reclassify NEMT services will be approved by January 1, 2027. However, implementation may be delayed past this date because approval times may vary and approval may be conditional on establishment of the state-wide transportation broker, which has experienced delays in implementation since 2019 and may be further delayed by the requirements of the bill.

The fiscal note assumes that the direct reimbursement prohibition costs shown in Table 2A and the NEMT program funding source shift shown in Table 2B will be realized after the state plan amendment is approved. All other costs will be incurred starting in July 2026, since the provisions of the bill driving those costs are independent of the SPA approval.

Service Reclassification Impacts—Direct Reimbursement Prohibition

Currently HCPF pays for NEMT services either through a transportation provider or through directly reimbursing Medicaid members for necessary mileage. Federal rule does not allow HCPF to directly reimburse members for anything other than administrative services. Thus, the fiscal note assumes that in reclassifying NEMT services as medical services, the bill requires all NEMT services to be provided through a transportation provider.

Contract Transportation Broker

HCPF currently contracts with a transportation broker for nine metropolitan counties and is in process of amending the contract to serve the entire state.

NEMT Fraud

NEMT has experienced instances of fraud and improper payments within the state's Medicaid program. Documented issues include billing for transportation services that were not provided, overstated mileage or trip distances, and claims submitted without sufficient documentation to support medical necessity or trip verification. In August 2021, a [performance audit](#) conducted by the Office of the State Auditor found that HCPF had not ensured that Medicaid NEMT was administered in line with federal and state requirements. In August 2023, monthly NEMT expenditures peaked at approximately \$43.0 million, largely driven by fraudulent billing.

The General Assembly has since appropriated funding to HCPF to investigate inefficiencies in the NEMT program and implement a new prepayment review process. Current NEMT expenditures are now around \$25 million per month. Between July 1, 2025, and November 1, 2025, HCPF realized about [\\$8.0 million in savings](#) from denials for improperly billed NEMT claims across 105 providers.

State Expenditures

On net, the bill increases state expenditures in HCPF by \$1.6 million in FY 2026-27 and \$2.8 million in future years. These costs, paid from the General Fund, Health Care Affordability and Sustainability cash fund, and federal funds, are summarized in Table 2A.

Department of Health Care Policy and Financing

HCPF requires staff and contract auditors to implement the bill. The prohibition on direct reimbursements will result in a net increase in costs, based on an assumed increase in transportation provider use. Conditional upon federal SPA approval, reclassifying NEMT as medical services will shift expenditures in HCPF from cash funds to more federal funds and less cash funds. Some limited savings to the General Fund will also occur. HCPF will also have an indeterminate impact from changes to rulemaking as they relate to claim denials, which is outlined further below.

**Table 2A
 State Expenditures
 Department of Health Care Policy and Financing**

Cost Component	Budget Year FY 2026-27	Out Year FY 2027-28
Personal Services	\$80,916	\$80,916
Operating Expenses	\$1,280	\$1,280
Capital Outlay Costs	\$7,000	\$0
Direct Reimbursement Prohibition	\$1,220,277	\$2,440,554
Provider Audits	\$250,000	\$250,000
Service Reclassification (see Table 2B)	\$0	\$0
Centrally Appropriated Costs	\$22,026	\$22,026
Total Costs	\$1,581,499	\$2,794,776
Total FTE	1.0 FTE	1.0 FTE

Staff

HCPF requires 1.0 FTE Policy Advisor to oversee the changes to the NEMT program. Responsibilities will include promulgating any necessary rules, overseeing the transportation broker, overseeing the audit process, assisting the advisory board, assisting providers with the eligible verification process, and submitting the state plan amendment, among other duties. Standard operating expenses and capital outlay costs are included.

Direct Reimbursement Prohibition

As discussed in the Background and Assumption section, making NEMT a medical services will prohibit the direct reimbursement of Medicaid members. As a result, NEMT services will exclusively be provided through transportation providers at a higher cost resulting in a net annual increase of \$2.4 million. First-year costs are prorated to the assumed January 1, 2027 implementation date, which is conditional on federal approval of the SPA. These costs will receive the enhanced FMAP from the service reclassification; that shift is reflected in Table 2B.

Provider Audits

Based on audits of similar scope, HCPF requires \$250,000 annually starting in FY 2026-27 to audit a sample of NEMT providers and all transportation brokers.

Service Reclassification

The bill requires the Medicaid program to reclassify NEMT services as medical services rather than administrative services. Administrative services receive a 50 percent federal match. Medical services, on average, receive a 65.19 percent federal match. Conditional on federal approval of the SPA, this change in the federal match rate will shift funding for the NEMT program as shown in Table 2B. First-year cost shifts assume the SPA approval will occur January 1, 2027.

**Table 2B
NEMT Program Funding Source Shift**

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	-\$77,349	-\$156,927
Cash Funds	-\$21,135,854	-\$42,880,720
Federal Funds	\$21,213,203	\$43,037,647
Net Impact	\$0	\$0

Rulemaking and Claim Denial Restrictions

The bill may restrict HCPF's ability to control costs and prevent fraud by delaying rulemaking and disallowing claim denials in certain cases. As discussed in the Background and Assumption section, HCPF has historically realized savings from rule changes and claim investigations. The bill will delay the savings impact of any future NEMT rule changes by 30 days, including rules changes related to fraud prevention. The bill may also impact HCPF's ability to recover payments if claim investigations do not reveal direct evidence of rule violation or bad-faith claim submission. This potential impact has not been estimated and will be addressed through the annual budget process.

Transportation Broker Contract

HCPF is already in process of expanding the transportation broker contract statewide and does not need additional appropriations to meet the requirements of the 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 may include employee insurance, supplemental employee retirement payments, indirect cost assessments, and other costs, are shown in Table 2 above.

Effective Date

The bill takes effect July 1, 2026.

State Appropriations

For FY 2026-27, the bill requires a net increase in appropriations of \$1,559,473 to the Department of Health Care Policy and Financing, as follows:

- an increase of \$459,613 from the General Fund;
- a decrease of \$20,965,620 from the Health Care Affordability and Sustainability Cash Fund; and
- an increase of \$22,065,480 from federal funds.

State and Local Government Contacts

Health Care Policy and Financing