

Second Regular Session  
Seventy-fifth General Assembly  
STATE OF COLORADO

REVISED

*This Version Includes All Amendments Adopted  
on Second Reading in the Second House*

LLS NO. 26-0978.01 Shelby Ross x4510

HOUSE BILL 26-1412

HOUSE SPONSORSHIP

Sirota and Taggart, Brown, Woodrow

SENATE SPONSORSHIP

Bridges and Kirkmeyer, Amabile

House Committees  
Appropriations

Senate Committees  
Appropriations

A BILL FOR AN ACT

101 CONCERNING AUTHORIZING THE DEPARTMENT OF HEALTH CARE  
102 POLICY AND FINANCING TO USE STATISTICAL SAMPLING AND  
103 EXTRAPOLATION TO RECOVER OVERPAYMENTS TO PROVIDERS  
104 FOR CERTAIN MEDICAID SERVICES, AND, IN CONNECTION  
105 THEREWITH, MAKING AND REDUCING AN APPROPRIATION.

Bill Summary

*(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov/>.)*

**Joint Budget Committee.** If an audit of a medicaid provider who provides nonemergency medical transportation services or pediatric

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.  
Capital letters or bold & italic numbers indicate new material to be added to existing law.  
Dashes through the words or numbers indicate deletions from existing law.

SENATE  
Amended 2nd Reading  
April 15, 2026

HOUSE  
3rd Reading Unamended  
April 11, 2026

HOUSE  
Amended 2nd Reading  
April 9, 2026

behavioral therapy is initiated after July 1, 2026, for services provided from January 1, 2022, through December 31, 2023, the department of health care policy and financing (state department) is authorized to determine and recover overpayments to a provider using statistical sampling and extrapolation. If an audit identifies a statistically significant pattern of alleged overpayments to a provider, the auditor is authorized to use the same statistical sampling and extrapolation methods to audit services provided by the provider from January 1, 2024, through December 31, 2025.

If the audit identifies an alleged overpayment, the state department is required to issue a notice of the alleged overpayment within 60 days after the alleged overpayment is identified. The notice of alleged overpayment must include the basis of the alleged overpayment, the rationale for the alleged overpayment, the methodology used to calculate the alleged overpayment, and information on how the state department identified the alleged overpayment.

If the state department enters into a contract for the purpose of conducting an audit, the contract must not be a contingency-based contract based on a percentage of the amount of recovery collected from the provider.

After the state department completes an audit of a provider, the state auditor's office is required to conduct an examination to determine that proper statistical sampling and extrapolation methods were used by the state department when determining whether overpayments were made to a provider. The state auditor shall annually present a report of the findings to the legislative audit committee and the joint budget committee.

The bill reduces a general fund appropriation and increases a cash fund appropriation to the state department.

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1 *Be it enacted by the General Assembly of the State of Colorado:*

2           **SECTION 1. Legislative declaration.** (1) The general assembly  
3 finds and declares that:

4           (a) The federal centers for medicare and medicaid services, the  
5 office of inspector general in the federal department of health and human  
6 services, and other federal agencies regularly employ statistical sampling  
7 and extrapolation methodologies to identify and recover improper  
8 payments from the Colorado medicaid program administered by the

1 department of health care policy and financing, or HCPF;

2 (b) Certain medicaid service areas, including nonemergency  
3 medical transportation and pediatric behavioral therapy, such as applied  
4 behavior analysis services, have been identified as having elevated rates  
5 of insufficient documentation, improper billing, or fraud, waste, and  
6 abuse, characterized by rapid outsized spending growth not explained or  
7 supported by a corresponding increase in the number of individuals  
8 served;

9 (c) Requiring HCPF to individually audit each claim submitted for  
10 payment by a provider to determine the appropriate error rate and  
11 overpayment recovery imposes an unrealistic and unsustainable  
12 administrative burden;

13 (d) The inability for HCPF to audit every claim submitted by a  
14 provider results in under-represented recoupments, recovery delays, and  
15 increased risk for federal disallowance, which the state is solely  
16 financially responsible for;

17 (e) Statistical sampling and extrapolation methodologies, when  
18 applied consistently with recognized federal standards, provide a reliable  
19 and efficient basis for overpayment recovery; and

20 (f) Using statistical sampling and extrapolation across providers  
21 treating medicaid members for services covered under the nonemergent  
22 medical transportation benefit and the pediatric behavioral therapy  
23 benefit, including applied behavioral analysis, will protect Colorado  
24 medicaid funds and the state general fund; deter fraud, waste, and abuse  
25 and related practices; and align state practices with established federal  
26 methodologies and standards.

27 **SECTION 2.** In Colorado Revised Statutes, 25.5-4-301, **add**

1 (3)(a)(VI.5) as follows:

2 **25.5-4-301. Recoveries - overpayments - penalties - interest -**  
3 **adjustments - liens - review or audit procedures - cash fund - rules -**  
4 **definitions - repeal.**

5 (3) (a) A review or audit of a provider is subject to the following  
6 procedures:

7 (VI.5) (A) IF AN AUDIT OF A PROVIDER WHO PROVIDES  
8 NONEMERGENCY MEDICAL TRANSPORTATION SERVICES OR PEDIATRIC  
9 BEHAVIORAL THERAPY, INCLUDING APPLIED BEHAVIORAL ANALYSIS, IS  
10 INITIATED AFTER JULY 1, 2026, FOR SERVICES PROVIDED FROM JANUARY  
11 1, 2022, THROUGH DECEMBER 31, 2023, THE STATE DEPARTMENT IS  
12 AUTHORIZED TO DETERMINE AND RECOVER AN OVERPAYMENT TO A  
13 PROVIDER USING A SAMPLING OF RECORDS AND EXTRAPOLATION OF THE  
14 RECORDS SO LONG AS THE SAMPLING AND EXTRAPOLATION METHODS  
15 EMPLOYED UTILIZE A STATISTICALLY VALID SAMPLE AND ARE DESIGNED  
16 AND IMPLEMENTED IN ACCORDANCE WITH THE PRINCIPLES, STANDARDS,  
17 AND METHODS APPROVED OR AUTHORIZED BY THE FEDERAL CENTERS FOR  
18 MEDICARE AND MEDICAID SERVICES OR THE OFFICE OF INSPECTOR  
19 GENERAL IN THE FEDERAL DEPARTMENT OF HEALTH AND HUMAN SERVICES  
20 FOR THE USE OF STATISTICAL SAMPLING AND EXTRAPOLATION IN AUDITING  
21 POTENTIAL OVERPAYMENT FOR HEALTH CARE SERVICES. THE STATE  
22 DEPARTMENT AND STATE AUDITOR SHALL NOT USE STATISTICAL SAMPLING  
23 OR EXTRAPOLATION TO DETERMINE OR RECOVER OVERPAYMENTS BASED  
24 ON DOCUMENTATION DEFICIENCIES OR TECHNICAL NONCOMPLIANCE THAT  
25 DO NOT DEMONSTRATE THAT SERVICES WERE NOT PROVIDED OR WERE NOT  
26 BILLABLE.

27 (B) IF AN AUDIT CONDUCTED PURSUANT TO SUBSECTION

1 (3)(a)(VI.5)(A) OF THIS SECTION IDENTIFIES A STATISTICALLY SIGNIFICANT  
2 PATTERN OF [REDACTED] ALLEGED OVERPAYMENTS TO A PROVIDER OF  
3 NONEMERGENCY MEDICAL TRANSPORTATION SERVICES OR PEDIATRIC  
4 BEHAVIORAL THERAPY, THE AUDITOR IS AUTHORIZED TO USE THE SAME  
5 STATISTICAL SAMPLING AND EXTRAPOLATION METHODS TO AUDIT  
6 SERVICES PROVIDED BY THE PROVIDER FROM JANUARY 1, 2024, THROUGH  
7 DECEMBER 31, 2025. FOR THE PURPOSES OF THIS SUBSECTION  
8 (3)(a)(VI.5)(B), "STATISTICALLY SIGNIFICANT PATTERN" MEANS A CLAIMS  
9 ERROR RATE IDENTIFIED THROUGH THE AUDIT THAT EXCEEDS TEN  
10 PERCENT.

11 (C) IF AN AUDIT IDENTIFIES AN [REDACTED] ALLEGED OVERPAYMENT, THE  
12 STATE DEPARTMENT SHALL ISSUE A NOTICE TO THE PROVIDER OF THE [REDACTED]  
13 ALLEGED OVERPAYMENT WITHIN SIXTY DAYS AFTER THE [REDACTED] ALLEGED  
14 OVERPAYMENT IS IDENTIFIED. THE NOTICE OF THE [REDACTED] ALLEGED  
15 OVERPAYMENT MUST INCLUDE THE BASIS OF THE [REDACTED] ALLEGED  
16 OVERPAYMENT, THE RATIONALE FOR THE [REDACTED] ALLEGED OVERPAYMENT, THE  
17 METHODOLOGY USED TO CALCULATE THE [REDACTED] ALLEGED OVERPAYMENT,  
18 AND INFORMATION ON HOW THE STATE DEPARTMENT IDENTIFIED THE [REDACTED]  
19 ALLEGED OVERPAYMENT, INCLUDING CLAIMS SAMPLES USED,  
20 CLAIM-LEVEL FINDINGS, AND OTHER DOCUMENTATION TO ENABLE THE  
21 PROVIDER TO FULLY EVALUATE AND REPLICATE THE AUDITOR'S ANALYSIS.  
22 PRIOR TO THE STATE DEPARTMENT IMPLEMENTING RECOVERY OF AN  
23 OVERPAYMENT, THE PROVIDER HAS THE RIGHT TO AN INFORMAL  
24 RECONSIDERATION IN ACCORDANCE WITH SUBSECTION (3)(a)(VII) OF THIS  
25 SECTION OR THE RIGHT TO A FORMAL APPEAL IN ACCORDANCE WITH  
26 SUBSECTION (3)(a)(VIII) OF THIS SECTION.

27 (D) IF THE STATE DEPARTMENT ENTERS INTO A CONTRACT FOR THE

1 PURPOSE OF CONDUCTING AN AUDIT PURSUANT TO THIS SUBSECTION  
2 (3)(a)(VI.5), THE CONTRACT MUST NOT BE A CONTINGENCY-BASED  
3 CONTRACT BASED ON A PERCENTAGE OF THE AMOUNT OF RECOVERY  
4 COLLECTED FROM THE PROVIDER.

5 (E) AFTER THE STATE DEPARTMENT COMPLETES AN AUDIT OF A  
6 PROVIDER PURSUANT TO THIS SUBSECTION (3)(a)(VI.5), THE STATE  
7 AUDITOR OR A PERSON AUTHORIZED BY THE STATE AUDITOR SHALL  
8 CONDUCT AN EXAMINATION IN ACCORDANCE WITH SECTION 2-3-103 TO  
9 DETERMINE WHETHER THE STATE DEPARTMENT USED PROPER STATISTICAL  
10 SAMPLING AND EXTRAPOLATION METHODS WHEN DETERMINING WHETHER  
11 OVERPAYMENTS WERE MADE TO A PROVIDER. THE STATE AUDITOR SHALL  
12 ANNUALLY PRESENT A REPORT OF THE FINDINGS MADE PURSUANT TO THIS  
13 SUBSECTION (3)(a)(VI.5)(E) TO THE LEGISLATIVE AUDIT COMMITTEE AND  
14 THE JOINT BUDGET COMMITTEE UNTIL THE AUDITS ARE COMPLETE.

15 **SECTION 3. Appropriation - adjustments to 2026 long bill.**

16 (1) Except as provided in subsection (3) of this section, to implement this  
17 act, the appropriation made in the annual general appropriation act for the  
18 2026-27 state fiscal year to the department of health care policy and  
19 financing for medical and long-term care services for Medicaid-eligible  
20 individuals is adjusted as follows:

21 (a) The general fund appropriation is decreased by \$6,861,775,  
22 which amount is subject to the "(M)" notation as defined in the annual  
23 general appropriation act for the same fiscal year; and

24 (b) The cash funds appropriation from recoveries and  
25 recoupments is increased by \$13,723,550.

26 (2) For the 2026-27 state fiscal year, the general assembly  
27 anticipates that the federal funds received by the department of health

1 care policy and financing for medical and long-term care services for  
2 Medicaid-eligible individuals will decrease by \$6,861,775. The  
3 appropriation in subsection (1)(a) of this section is based on the  
4 assumption that the department will not receive this amount of federal  
5 funds.

6 (3) Subsection (1)(a) of this section does not require a reduction  
7 of an appropriation in the annual general appropriation act for the  
8 2026-27 state fiscal year if:

9 (a) The amount of the general fund appropriation made in the  
10 annual general appropriation act for the 2026-27 state fiscal year to the  
11 department of health care policy and financing for medical and long-term  
12 care services for Medicaid-eligible individuals is less than the amount of  
13 the adjustment required in subsection (1)(a) of this section; or

14 (b) The annual general appropriation act for the 2026-27 state  
15 fiscal year does not include an appropriation to the department of health  
16 care policy and financing for medical and long-term care services for  
17 Medicaid-eligible individuals.

18 **SECTION 4. Effective date.** This act takes effect upon passage;  
19 except that section 3 of this act takes effect only if the annual general  
20 appropriation act for the 2026-27 state fiscal year becomes law, in which  
21 case section 3 of this act takes effect upon the effective date of this act or  
22 of the annual general appropriation act for state fiscal year 2026-27,  
23 whichever is later.

24 **SECTION 5. Safety clause.** The general assembly finds,  
25 determines, and declares that this act is necessary for the immediate  
26 preservation of the public peace, health, or safety or for appropriations for

- 1 the support and maintenance of the departments of the state and state
- 2 institutions.