

HB26-1244

CDPHENursingHome Penalty Fund



COLORADO
Department of Public
Health & Environment

Sponsors: Representatives Slaugh and Joseph and Senators Exum and Frizell

SUMMARY

Nursing homes provide important benefits for the state's most vulnerable residents who need specialized medical care. Under current law, the state can support projects in nursing homes, like quality of care initiatives, using monetary penalties paid by noncompliant nursing homes. This bill updates state law to reflect changes to federal guidelines that expand the authority of states to spend fine revenue for other purposes like nurse training and tuition reimbursement.

PROBLEM

The Colorado Department of Public Health and Environment's Health Facilities and Emergency Medical Services Division regulates nursing homes in Colorado that care for patients who are frail and elderly or individuals with chronic illness who need routine or skilled nursing care in a residential facility. The division inspects the facilities to ensure compliance with standards for quality of care. Facilities determined to be in violation of the standards are assessed fine amounts determined, levied, and collected by the federal Centers for Medicare and Medicaid Services (CMS).

After CMS collects a monetary penalty, it sends a portion of the fine revenue to the state, which is kept in the Nursing Home Penalty Cash Fund. As of January 1, 2026, the Nursing Home Penalty Cash Fund balance is \$20,856,177.22. Federal law requires the state to spend the fine revenue according to CMS guidelines. Previously, CMS guidelines limited the spending of fine revenue to cover costs associated with nursing home emergencies like facility closures and to provide grants for projects at nursing homes that promote resident-centered care and other quality of care initiatives. Colorado state statute was drafted to mirror these spending parameters. Now, CMS has updated guidance.

SOLUTION

HB26-1244 aligns the Nursing Home Penalty Cash Fund statute in § 25-1-107.5(4)(c)(I), C.R.S. with federally allowed spending categories. Specifically, the proposal removes an outdated list of specific uses for the cash fund in favor of flexible language that allows Colorado to spend out of the cash fund according to whatever active federal guidelines are in place at a given time. This change would allow the state to immediately use the cash funds in two new ways: (1) develop statewide nursing home training programs and (2) provide tuition reimbursement for nurses.

(1) In 2023, CMS updated its guidelines to encourage states to use penalty revenue to create statewide training programs. These programs would provide nurses working in nursing homes with skills necessary to care for residents, including geriatric behavioral health, dementia care, fall prevention, and advanced wound management. Currently, nursing homes rely on generic online courses that often do not prepare their staff to fully meet the needs of residents. Investing in uniform training aligned with national standards would improve resident safety and quality of life, and help to reduce the high rate of nursing home staff turnover.

(2) CMS recently expanded the allowable uses of the cash fund to include tuition reimbursement and stipends for registered nurses (RNs) and licensed practical nurses (LPNs). Under this new program, nurses who commit to working in a nursing home for three years can receive up to \$40,000 in tuition reimbursement and up to a \$10,000 stipend. Investing existing cash fund resources into workforce development would decrease the reliance by nursing homes on temporary staffing agencies and improve the quality of care for Colorado's most vulnerable residents.