



Legislative Council Staff

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Fiscal Note

Drafting Number:	LLS 24-1074	Date:	March 27, 2024
Prime Sponsors:	Rep. Bird; Sirota Sen. Bridges; Kirkmeyer	Bill Status:	House Appropriations
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Bill Topic: FEE CHANGES HEALTH-CARE CASH FUNDS

Summary of Fiscal Impact:	<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Local Government
	<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> TABOR Refund	<input type="checkbox"/> Statutory Public Entity

Budget package bill. The bill requires automatic increases in health facility licensing fees and requires the expenditure of the revenue to be audited. The bill increases state revenue and expenditures on an ongoing basis beginning in FY 2025-26.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill. The bill was recommended by the Joint Budget Committee as part of the FY 2024-25 budget package.

Table 1
State Fiscal Impacts Under HB 24-1417

		Budget Year FY 2024-25	Out Year FY 2025-26	Out Year FY 2026-27
Revenue	Cash Funds	-	\$593,867	\$1,074,899
Expenditures	Cash Funds	-	\$593,867	\$1,074,899
Transfers		-	-	-
Other Budget	TABOR Refund	-	\$593,867	\$1,074,899

Summary of Legislation

Under current law, health facility licensing fees may increase at the rate of inflation. The bill requires the fees to automatically increase by:

- 8.0 percent in FY 2025-26;
- 6.0 percent through FY 2028-29; and
- beginning in FY 2029-30 and each year thereafter, the annual percentage change in the consumer price index for Denver-Aurora-Lakewood.

The bill requires the Office of the State Auditor to audit how the Department of Public Health and Environment (CDPHE) expends the fee revenue.

Background

The Health Facilities and Emergency Medical Services Division (HFEMSD) in CDPHE regulates health facilities to ensure that facility care meets state and federal health and safety requirements. State regulations are enforced through a licensing process; facilities pay a fee to obtain their license to legally operate in Colorado. Federal regulations are enforced through a certification process; CDPHE performs facility inspections and recommends certification to the federal Centers for Medicare and Medicaid Services (CMS) and the Department of Health Care Policy and Financing, allowing a facility to bill CMS for the services they provide. The division schedules relicensing surveys once every three years, with the exception of assisted living residences which are statutorily required to occur annually. The schedules and frequency for licensing surveys and complaint investigations generally coincide with schedules set by CMS and state Medicaid for providers who are certified.

State Revenue

The bill roughly increases state revenue by up to \$600,000 in FY 2025-26 and an additional \$500,000 annually thereafter until FY 2029-30, at which point the increase will depend on inflation. This estimate assumes that the total number of health facilities subject to licensing fees will stay constant at 476 facilities, fees will remain relatively static absent the bill despite limited authority to adjust to inflation, and under the bill the various fees will increase as shown in Table 2. Fee revenue is subject to TABOR.

**Table 2
 Fee Changes Under HB 24-1417**

Health Facility License Type	Current Law		Under HB 24-1417	
	Current Fee	FY 2024-25 Increase	FY 2025-26 Increase	FY 2026-27 Increase
Community Residential Home (Initial)	\$2,613	\$209	\$226	\$183
Intermediate Care Facility (Initial)	\$6,270	\$502	\$542	\$439
Community Residential Home (Renewal)	\$392	\$31	\$34	\$27
Intermediate Care Facility (Renewal)	\$1,672	\$134	\$144	\$117
Community Emergency Center (Renewal)	\$1,411	\$113	\$122	\$99
Freestanding Emergency (Initial)	\$6,150	\$493	\$531	\$430
Freestanding Emergency (Renewal)	\$3,400	\$272	\$294	\$238
Dialysis Treatment Clinic (Initial)	\$5,372	\$430	\$464	\$376
Dialysis Treatment Clinic (Renewal)	\$1,672	\$134	\$144	\$117
Ambulatory Surgical Center (ASC) (Initial)	\$6,897	\$552	\$596	\$483
ASC with Convalescent (Initial)	\$7,274	\$583	\$629	\$509
ASC (Renewal, Non-Deemed)	\$1,505	\$121	\$130	\$105
ASC (Renewal, Deemed)	\$1,354	\$108	\$117	\$95
Year-over-Year Increase	-	\$291,607	\$593,867	\$481,032
Total Fee Revenue	\$7,131,732	\$7,423,339	\$8,017,206	\$8,498,238

State Expenditures

Cash fund expenditures will increase in CDPHE in line with the bill’s fee revenue increases and workload will increase for the Office of the State Auditor. These impacts are discussed below.

Department of Public Health and Environment. CDPHE will expend fee revenue on investigating complaints received by HFEMSD, which have increased by 64 percent since FY 2014-15. CDPHE requires an estimated 11.5 FTE to respond to the projected complaints in FY 2024-25, with additional FTE in future years if the complaint trend continues. CDPHE can hire about 6.0 FTE with every \$500,000. Based on the bill’s estimated revenue impact, the CDPHE will hire 6.0 FTE in FY 2025-26 and an additional 6.0 FTE in FY 2026-27. For budgeting purposes, these FTE amounts have already been allocated but have not been hired due to lack of funding. Actual spending will depend on revenue received and will be addressed through the annual budget process.

State Auditor. Costs will increase in the Office of the State Auditor to perform the audit required under the bill, estimated at \$425,000. However, the bill requires the State Auditor conduct the audit within existing appropriations. It is assumed that this audit will be prioritized by the office and the Legislative Audit Committee, temporarily shifting its work from other audit priorities.

Other Budget Impacts

TABOR refunds. The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the March 2024 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save.

Effective Date

The bill takes effect July 1, 2024.

State and Local Government Contacts

Joint Budget Committee Staff

Public Health and Environment

State Auditor

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).