Health & Human Services

Legislative Adjustments to Medicaid for Justice-Involved Individuals	
Larimer County	
Preferred Contact:	Commissioner Jody Shadduck-McNally, Chair, Larimer County, email or text
Co-Sponsoring Counties/Commissioners:	No
Who is your subject matter expert?	Emily Humphries, Community Justice Alternatives Director, Larimer County, 970 980-2671, humphre@co.larimer.co.us
Has this proposal been approved by your BoCC?	Yes
Have you reviewed the CCI Instructional Memo?	Yes
Describe the problem your proposal will solve.	The proposal addresses two main issues currently faced by alternative sentencing programs: Financial and Operational Bottlenecks: Current rules require substance use disorder programs to contract with or employ a licensed physician (MD or DO). This creates unnecessary costs and administrative burdens because these programs do not provide physical medical interventions. The Medicaid ""Income Cliff"": While Medicaid coverage exists for individuals pre-release, participants in community corrections or work-release programs often lose their Medicaid coverage mid-program once they start earning income. This causes a disruption in care, as their income exceeds the standard eligibility limits, which can negatively impact their continuum of care and increase recidivism risks. Eliminate the Medical Director Requirement for Alternative Sentencing Non-Medical programs Colorado Rule/Statute Context: The Behavioral Health Administration regulates facility licensing under 2 CCR 502-1 (BHA Provider Rules), while Health Care Policy and Finance (HCPF) dictates billing credentials via the State Behavioral Health Services Billing Manual and 10 CCR 2505-10 Section 8.200. Current frameworks often require a contracted medical director (MD or DO) to oversee and authorize billing for behavioral health and substance use disorder (SUD) programs. For counties like Larimer County that operate alternative sentence programming delivering therapy and case management without physical medical interventions, this rule

	creates a severe financial bottleneck and the added cost of employing a medical director. Resolve the Medicaid ""Income Cliff"" for Active Justice-Involved Individuals Colorado Rule/Statute Context: Under C.R.S. § 25.5-5-201 (concerning optional groups eligible for medical assistance), Colorado has the authority to seek federal waivers to adjust eligibility terms. Colorado recently utilized this to launch the M-REACH (Medicaid Reentry and Community Health) initiative under an approved 1115 Demonstration Waiver amendment, which covers individuals pre-release (up to 90 days before leaving a carceral facility). However, it does not protect individuals post-release who are in community corrections or work-release programs; as soon as these individuals gain employment and earn income, they exceed the standard Modified Adjusted Gross Income (MAGI) cap and lose Medicaid mid-program. The proposal addresses two main issues currently faced by alternative sentencing programs: Financial and Operational Bottlenecks: Current rules require substance use disorder programs to contract with or employ a licensed physician (MD or DO). This creates unnecessary costs and administrative burdens because these programs do not provide physical medical interventions. The Medicaid ""Income Cliff"": While Medicaid coverage exists for individuals pre-release, participants in community corrections or work-release programs often lose their Medicaid coverage mid-program once they start earning income. This causes a disruption in care, as their income exceeds the standard eligibility limits, which can negatively impact their continuum of care and increase recidivism risks. This legislative proposal aims to streamline Medicaid operations for individuals serving a sentence in alternative sentencing programs (in Larimer County this includes STIRT (Strategic Individualized Remediation Treatment (21 days inpatient), IRT (Intensive Residential Treatment (90 days inpatient) and RDDT (Residential Dual Diagnosis Treatment)) by exempting non-medical programs from the mandate to employ a licensed physician, instead allowing clinical oversight by licensed non-prescribing professionals. It also seeks to resolve the Medicaid ""income cliff"" for justice involved participants by requesting a waiver to disregard earned income for individuals in these programs for up to 12 months post-release. Collectively, these adjustments are intended to ensure consistent funding,

	continuity of care, and uninterrupted access to care for justice-involved individuals while reducing the financial burden on counties.
Areas of Impact:	Day-to-day operations of the county, Functionality of county programs or services, Power/Authority/Mandate of county government, General community advancement
What is the ultimate source of this problem?	Problematic rulemaking, Lack of existing statute/regulation, Administrative policy gap
What is your initial proposal to solve this problem?	Eliminate the Medical Director Requirement for Alternative Sentencing Non-Medical programs Colorado Rule/Statute Context: The Behavioral Health Administration regulates facility licensing under 2 CCR 502-1 (BHA Provider Rules), while Health Care Policy and Finance (HCPF) dictates billing credentials via the State Behavioral Health Services Billing Manual and 10 CCR 2505-10 Section 8.200. Current frameworks often require a contracted medical director (MD or DO) to oversee and authorize billing for behavioral health and substance use disorder (SUD) programs. For counties like Larimer County that operate alternative sentence programming delivering therapy and case management without physical medical interventions, this rule creates a severe financial bottleneck and the added cost of employing a medical director. Resolve the Medicaid ""Income Cliff"" for Active Justice-Involved Individuals Colorado Rule/Statute Context: Under C.R.S. § 25.5-5-201 (concerning optional groups eligible for medical assistance), Colorado has the authority to seek federal waivers to adjust eligibility terms. Colorado recently utilized this to launch the M-REACH (Medicaid Reentry and Community Health) initiative under an approved 1115 Demonstration Waiver amendment, which covers individuals pre-release (up to 90 days before leaving a carceral facility). However, it does not protect individuals post-release who are in community corrections or work-release programs; as soon as these individuals gain employment and earn income, they exceed the standard Modified Adjusted Gross Income (MAGI) cap and lose Medicaid mid-program. This legislative proposal aims to streamline Medicaid operations for individuals serving a sentence in alternative sentencing programs (in Larimer County this includes STIRT (Strategic Individualized Remediation Treatment (21 days inpatient), IRT (Intensive Residential Treatment (90 days inpatient) and RDDT (Residential Dual Diagnosis Treatment)) by exempting non-medical programs from the mandate to employ a licensed physician, instead allowing clinical oversight by licensed non-prescribing professionals. It also seeks to resolve the Medicaid ""income cliff"" for

	justice involved participants by requesting a waiver to disregard earned income for individuals in these programs for up to 12 months post-release. Collectively, these adjustments are intended to ensure consistent funding, continuity of care, and uninterrupted access to care for justice-involved individuals while reducing the financial burden on counties.
Please provide sample language for this solution.	Colorado Rule/Statute Context: Suggested Proposal Language: Amend C.R.S. § 27-50-101 et seq. (BHA guiding statutes) and direct the BHA to modify licensing rules under 2 CCR 502-1 to create an explicit exemption for Criminal Justice Agencies. The language should specify that any justice-involved individuals or alternative sentencing provider delivering strictly non-medical behavioral health or residential SUD treatment is exempt from the requirement to contract with or employ a licensed physician. Clinical governance for these specific programs shall instead be authorized under a Colorado-licensed non-prescribing professional, such as a Licensed Addiction Counselor (LAC), Licensed Professional Counselor (LPC), or Licensed Clinical Social Worker (LCSW). Resolve the Medicaid ""Income Cliff"" for Active Justice-Involved Individuals: Suggested Proposal Language: Amend C.R.S. § 25.5-5-201 to authorize a 'Justice-Involved Transitional Coverage Carve-Out.' This legislation will direct HCPF to apply for an expansion of Colorado's Section 1115 Demonstration Waiver to explicitly disregard earned income for individuals actively enrolled and participating in a certified alternative sentencing, diversion, or community corrections program. Medicaid eligibility under Health First Colorado will be guaranteed for the duration of the active program enrollment, up to a maximum of 12 months post-release incarceration, regardless of earned income spikes, to maintain the continuum of care, increase safety, and mitigate recidivism.
Are there any solutions that do not require state-level legislation? Has your county explored these alternatives?	No- The BHA rules continually change and in order to keep licensure, alternative sentencing programs must pivot continuously.
Has CCI or any other organizations sought a solution to this problem before?	Unsure
What possible organization(s) would ***support*** your proposed solution?	Other Medicaid billing providers in the state, including Community Corrections facilities, substance abuse providers in a justice-involved setting.

What possible organization(s) would ***oppose*** your proposed solution?	Unknown
Have you spoken with any legislators about your proposed solution? If so, what was their response?	No
What are the financial implications of this ***problem*** to your county? Are there any financial implications to this ***solution*** either?	Projecting budget impacts is challenging due to the uncertainty surrounding Medicaid billing procedures and regulatory requirements. Maintaining the status quo may necessitate increased reliance on county general funds. Furthermore, the shift in work requirements poses a significant risk to service continuity for all clients, potentially disrupting their access to essential care thus increasing the risk of recidivism and public safety. If Medicaid funding and approvals become more consistent, there will be less reliance on county funds for non-general fund justice-involved individuals programs.
What are the financial implications of this ***problem*** to any other impacted parties? What are the financial implications of this ***solution*** to any other impacted parties? *Please consider any relevant Colorado State Departments.*	Any organization that does Medicaid billing - non-profits, local governments, small providers, and those that support and serve justice-involved individuals .
Staff Feedback	<u>Risk / Difficulty:</u> <u>Time Commitment:</u>