

Senate Bill 25-314

Recovery Audit Contractor (RAC) Program

leg.colorado.gov/bills/sb25-314

Effective Date: August 6, 2025



COLORADO

Department of Health Care
Policy & Financing

General Disclaimer

- ❖ This does not include every provision.
 - ❖ Not legal advice.
- ❖ Encourage everyone to read the bill.

General Highlights

- ❖ Consolidates all RAC Provisions in new section 25.5-4-301(3.3)(a)
- ❖ Provides language to address need to comply with any federal directives or unfavorable impact to the General Fund
- ❖ Clear definitions
- ❖ Specifies requirements in vendor contract to ensure fair and consistent audits
- ❖ Reduces provider administrative burden
- ❖ Increases opportunity for early resolution of preliminary findings
- ❖ New HCPF statutory requirements:
 - Reporting to JBC, transparency and website
 - Provider trainings
 - Work with rural/smaller providers
 - Engagement with Provider Advisory Group in audit scenario review
 - Opportunity for anonymous feedback

Specific Highlights Summary

- ❖ Contingency fee on recoveries, not to exceed 16%
- ❖ Vendor staff must meet industry standards and federal requirements, appropriate training and competency
- ❖ More customer service requirements
- ❖ HCPF must approve, adjust or reject all audit types
 - If audit is inaccurate, allows repayments and return of contingency fee
- ❖ Limits audits to three year look back (after expiration of timely filing period)
- ❖ Three complex audits per year
 - Hospitals grouped for complex audits based on total Medicaid reimbursement in the previous year
 - Limits number of medical records - If audit is inaccurate, allows repayments and return of contingency fee
 - specifics in bill, ranges from 600-10
- ❖ Four automated audits per year
 - Providers grouped for complex audits based on total Medicaid reimbursement in the previous year
 - Limits provider claims across all provider's locations for a calendar year - ranges from 2.92% - 1.67%
 - Increases if denial rate is 40% or higher, but no more than 25% more

Specific Highlights Summary

- ❖ New process has Increased opportunities for early resolution of findings
 - **Notice of preliminary findings**
 - **Optional Exit Conference (Complex Audits only)** - discuss preliminary findings, must request 30 days after receiving preliminary findings
 - 30 days after EC, HCPF must notify if findings will be dismissed or will issue **Notice of Informal Reconsideration**
 - **Notice of Informal Reconsideration** - Mandatory BEFORE provider appeals unless preliminary findings 1) are accepted by provider, 2) dismissed by HCPF after EC, or 3) the period for a provider to request an EC has expired
 - 60 days to submit all relevant medical records
 - After Informal reconsideration, if claims remain in dispute, HCPF must issue a **Notice of Adverse Action**
 - 30 days for provider to request a formal appeal
 - Notice of Adverse Action must be issued 120 days after Informal Reconsideration, otherwise state waives right to recover state share.