

Publications

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Colorado Limits Medicaid Coverage of Definitive Drug Testing

Key Takeaways

- As of Oct. 10, 2025, Colorado Medicaid now limits coverage of definitive drug testing for adults 21 and older to 16 units per fiscal year.
- The emergency rule will remain in effect through Feb. 7, 2026, and may be revisited or made permanent following a December 2025 board meeting.
- The rule's lack of a prior authorization pathway raises clinical and operational concerns for providers who rely on regular definitive testing to treat patients.

Last Friday, the Colorado Department of Health Care Policy and Financing (HCPF) finalized an emergency rule limiting Medicaid coverage of definitive drug testing for adults 21 and older — a move with potential implications for substance use disorder and other behavioral health providers across Colorado who routinely rely on definitive testing as part of their treatment protocols. The emergency rule does not affect coverage of presumptive testing.

Effective Oct. 10, 2025, the rule caps coverage at 16 units of service per year and will remain in effect until Feb. 7, 2026, unless made permanent by the traditional rulemaking process.¹ The Colorado Medical Services Board is scheduled to revisit the rule on Dec. 12, 2025. **For now, providers should assess how the cap may affect current protocols and consider opportunities for engagement with HCPF as future rulemaking unfolds.**

Rule Follows Statewide Cost-Cutting Mandate

The new limit traces back to a broader cost-cutting directive issued by the state earlier this year. On Aug. 28, 2025, Governor Polis signed Senate Bill 25B-001, which directed the Governor to balance the state's budget.² The same day, Governor Polis issued an executive order outlining certain cost-cutting measures³ — including instructions to HCPF to limit the number of annual definitive drug tests that can be ordered for adult Colorado Medicaid beneficiaries.⁴

To carry out the directive, HCPF presented an emergency rule to the Colorado Medical Services Board (MSB) — the entity charged with adopting HCPF rules — which adopted it

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unanimously on Oct. 10, 2025.⁵ Though the 16-unit cap is now in place, some MSB members signaled support for reducing the limit even further — potentially to 12 units per year — through future rulemaking.

HCPF Anticipates Millions in Savings

According to HCPF, Medicaid definitive drug testing costs the state more than \$5 million per month, or approximately \$62 million annually — nearly double 2022 levels. The agency projects that the 16-unit cap will bring monthly costs down to \$3.5 million to \$4 million per month, generating estimated annual savings of \$14 million to \$20 million.⁶

While initial budget discussions raised the possibility of requiring *prior authorization* for definitive drug testing above the prescribed limits, HCPF instead implemented a hard cap at 16 units per fiscal year.⁷ Under the new rule, any definitive tests ordered beyond the cap will simply be denied reimbursement by HCPF, leaving providers with limited options if more testing is required for clinical protocols.

What This Means for Providers

The cap's immediate impact will depend on how closely a provider's existing protocols track to the 16-unit limit, but broader implications may take shape over time. Without a prior authorization pathway, providers have limited recourse when test needs exceed the cap — even when clinically justified. That dynamic, combined with the possibility of further reductions through future rulemaking, raises both operational and policy considerations for Colorado's behavioral health community.

Providers should consider how this rule intersects with medical necessity determinations, documentation practices and evolving reimbursement strategies under Medicaid.

For questions regarding how this rule may impact you or your patients, and potential opportunities for advocacy with the State and HCPF on these issues, please contact your Polsinelli attorney.

¹ Colo. Rev. Stats. § 24-4-103(6).

² Colo. Rev. Stats. § 24-75-201.5 (as amended by Colorado Senate Bill 25B-001 (2025)); available at https://leg.colorado.gov/sites/default/files/documents/2025B/bills/2025b_001_enr.pdf.

³ Executive Order D 2025-014 at 2. The full text of the Executive Order, along with the letter to the Joint Budget Committee detailing the specific cuts and cost saving measures, is available at <https://leg.colorado.gov/sites/default/files/letter-08-28-25.pdf>. See Ryan Thurber & Bragg Hemme, *Colorado Budget Cuts Hit Home for Medicaid Providers* (Aug. 29, 2025), <https://www.polsinelli.com/publications/colorado-budget-cuts-hit-home-for-medicaid-providers>.

⁴ Mark Ferrandino, *Letter to the Joint Budget Committee* (Aug. 28, 2025) at Attachment B, p. 1.

⁵ MSB 25-08-26-A at 1, 7. The full text of the emergency rule is available at <https://hcpf.colorado.gov/sites/hcpf/files/Doc%2008%20MSB%2025-08-26-A%20Emergency%20-%20Oct%202025.pdf>

⁶ *Id.* at 4.

⁷ *Id.* at 7 (“Adult member aged 21 and over are limited to 16 units of service per state fiscal year for Definitive Drug Testing.”). *Cf.* Ferradino, *supra*, at Attachment B (“Implements prior authorization for [definitive drug testing] utilization exceeding 16 tests per year, to align with best practice[.]”).