



Fiscal Note

Legislative Council Staff

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HB 25-1174: REIMBURSEMENT REQUIREMENTS FOR HEALTH INSURERS

Prime Sponsors:

Rep. Brown; Sirota
Sen. Bridges; Jodeh

Fiscal Analyst:

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Published for: House Appropriations**Drafting number:** LLS 25-0421**Version:** First Revised Note**Date:** March 5, 2025

Fiscal note status: The revised fiscal note reflects the introduced bill, as amended by the House Health and Human Services Committee.

Summary Information

Overview. The bill creates new reimbursement requirements for certain health insurance plans and commissions a study on health insurance reimbursements.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis beginning in FY 2025-26:

- State Expenditures
- State Transfers
- State Diversions
- Local Government
- School Districts

Appropriations. For FY 2025-26, the bill requires an appropriation of \$100,183 to the Department of Regulatory Agencies.

Table 1
State Fiscal Impacts

Type of Impact ¹	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0	\$0
State Expenditures	\$100,183	-\$67,609,268	-\$26,460,183
Transferred/Diverted Funds	\$240,732	\$260,183	\$41,940,732
Change in TABOR Refunds	\$0	\$0	\$0
Change in State FTE	0.3 FTE	1.0 FTE	1.0 FTE

¹ Fund sources for these impacts are shown in the tables below.

**Table 1A
 State Expenditures**

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
General Fund	\$0	-\$41,700,000	-\$41,700,000
Cash Funds	\$100,183	-\$17,709,268	\$23,439,817
Federal Funds	\$0	-\$8,200,000	-\$8,200,000
Centrally Appropriated	\$0	\$0	\$0
Total Expenditures	\$100,183	-\$67,609,268	-\$26,460,183
Total FTE	0.3 FTE	1.0 FTE	1.0 FTE

**Table 1B
 State Transfers and Diversions**

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
General Fund	\$0	\$0	-\$41,940,732
Primary Care Fund	\$0	\$0	\$24,389,451
Group Benefit Plans Expenditure Savings CF	\$0	\$0	\$8,179,817
Behavioral Health Safety Net Cash Fund	\$0	\$0	\$8,129,817
Health Care Reimbursement Feasibility Study CF	\$0	\$0	\$500,000
Supplier Database Cash Fund ¹	-\$240,732	-\$260,183	\$500,915
Department of Insurance Cash Fund ¹	\$240,732	\$260,183	\$240,732
Net Transfer	\$0	\$0	\$0

¹ The transfers from the Supplier Database Cash Fund are based on the costs identified for DORA in the initial fiscal note. See Technical Note.

Summary of Legislation

The bill limits the rates at which insurance carriers must reimburse health care providers. Health facilities may not bill individuals for an outstanding balance not paid by the carrier other than applicable in-network coinsurance. These rate restrictions apply to:

- the state employee group benefit plan beginning July 1, 2026; and
- all small group benefit plans beginning January 1, 2027.

The Commissioner of Insurance in the Department of Regulatory Agencies (DORA) may require a health facility to participate in a small group health benefit plan offered in the small group market. A facility that refuses is subject to warning, and then a fine.

The Department of Personnel and Administration (DPA) must submit an annual report beginning September 1, 2027, to the Governor, the State Treasurer, and the Joint Budget Committee specifying any cost savings that result from reduced provider reimbursements and the department's cost to determine the amount saved.

The bill then requires the following transfers from the General Fund:

- in 2027 only, \$500,000 to the new Health Care Reimbursement Feasibility Study Cash Fund;
- in 2027 only, \$500,915 to the Supplier Database Cash Fund; and
- an amount equal to the remaining General Fund savings identified in the report to the new Group Benefit Plans Expenditure Savings Cash Fund.

Beginning with FY 2027-28, the amount transferred to the Group Benefit Plans Expenditure Savings Cash Fund must be appropriated as follows:

- an amount equal to DPA's costs to determine the savings;
- 20 percent of the remaining money to the Group Benefit Plans Reserve Fund to reduce group benefit plan premium costs for state employees;
- 60 percent of the remaining money to the Primary Care Fund, which is used by the Department of Health Care Policy and Financing to pay for healthcare costs for uninsured or medically indigent patients; and
- 20 percent of the remaining money to the new Behavioral Health Safety Net Cash Fund, which is used by the Department of Human Services (CDHS) to pay for behavioral health safety net services.

The bill also makes transfers from the Supplier Database Cash Fund in FY 2025-26 and FY 2026-27 to the Division of Insurance Cash Fund to pay for costs in DORA under the bill.

HCPF must study the feasibility of establishing specifications for health plan reimbursements, similar to those the bill requires of the state employee group benefit plan. It must collaborate with the Department of Education, the Colorado Commission of Higher Education, and the Department of Local Affairs. School districts, institutions of higher education, and local governments must submit information as requested by HCPF for the study. HCPF must submit a final report to the General Assembly by January 1, 2028. The Health Care Reimbursement Feasibility Study Cash Fund is continuously appropriated to HCPF for this purpose. Any unobligated fund balance reverts to the General Fund on June 30, 2028.

State Transfers and Diversions

The bill requires the following transfers from the Supplier Database Cash Fund to the Division of Insurance Cash Fund:

- on July 1, 2025, \$240,732; and
- on July 1, 2026, \$260,183.

The bill requires annual transfers from the General Fund, beginning in FY 2027-28, based on the amount of General Fund savings attributed to the bill's reimbursement requirements. These are estimated at about \$42 million per year to the Group Benefit Plans Expenditure Savings Cash Fund, except that, in FY 2027-28 only, \$500,915 of this amount is first transferred to the Supplier Database Cash Fund and \$500,000 is first transferred to the Health Care Reimbursement Feasibility Study Cash Fund. The bill requires subsequent transfers from that fund to the following funds, made via appropriations accounted for through the budget and estimated at:

- \$24,389,451 to the Primary Care Fund;
- \$8,129,817 to the Group Benefit Plans Reserve Fund;
- \$8,129,817 to the Behavioral Safety Net Cash Fund; and
- in FY 2027-28 only, \$500,000 to the Health Care Reimbursement Feasibility Study Cash Fund.

This bill also diverts \$240,732 per year from the General Fund beginning in FY 2027-28. This revenue diversion occurs because the bill increases costs in the Division of Insurance in the Department of Regulatory Agencies, which is funded with premium tax revenue that would otherwise be credited to the General Fund.

State Expenditures

The bill increases state expenditures by about \$100,000 in FY 2025-26 and \$250,000 in subsequent years in the Department of Regulatory Agencies. It reduces General Fund expenditures by about \$42 million, cash fund expenditures by about \$18 million, and federal fund expenditures by about \$8 million beginning in FY 2026-27. Beginning in FY 2027-28, the reduction in General Fund is then offset by an increase in cash fund expenditures, as each year's General Fund savings become cash fund expenditures the following year. These expenditures will be incurred in DPA, HCPF, and CDHS as shown in Table 2 and described in the sections below.

**Table 2
 State Expenditures
 All Departments**

Department	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
State Employee Health Insurance (All Agencies)	\$0	-\$67,900,000	-\$67,900,000
Department of Regulatory Agencies	\$100,183	\$240,732	\$240,732
Department of Personnel and Administration	\$0	\$50,000	\$8,179,817
Department of Health Care Policy & Financing	\$0	\$0	\$24,889,451
Department of Human Services	\$0	\$0	\$8,129,817
Total Costs	\$100,183	-\$67,709,268	-\$26,059,268

State Employee Health Insurance

The bill decrease expenditures for state employee health insurance across all state agencies by about \$68 million beginning in FY 2026-27. This decrease includes about \$42 million from the General Fund, \$18 million from cash funds, and \$8 million from federal funds. This estimate was provided by the two insurers who currently provide health insurance coverage for state employees, Cigna Health and Kaiser Permanente, based on recent claims data. The actual decrease will depend on changes to insurance plans and will be addressed through the annual budget process. The savings from the General Fund are applied to a variety of programs, as discussed below.

Department of Regulatory Agencies

DORA will have reporting and legal costs, as outlined below and shown in Table 2A. Costs are paid from the Division of Insurance Cash Fund.

Contractor

DORA requires an estimated \$40,000 to hire an actuarial firm to conduct market research on property and casualty insurers, determine affordability and availability of coverage, identify areas of concern, develop recommendations for long-term sustainability, and generate a report. Based on the level of detail required by the bill, the fiscal note assumes that a contractor will perform 100 hours of work at an estimated \$400 per hour. Actual costs will be determined through the contracting process.

Legal Services

DORA requires 450 hours of legal services in FY 2025-26 to update rules and 1,800 hours in subsequent years for enforcement support. Legal services are provided by the Department of Law at a rate of \$133.74 per hour.

Table 2A
State Expenditures
Department of Regulatory Agencies

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
Contractor	\$40,000	\$0	\$0
Legal Services	\$60,183	\$240,732	\$240,732
Total Costs	\$100,183	\$240,732	\$240,732
Total FTE	0.3 FTE	1.0 FTE	1.0 FTE

Department of Personnel and Administration

Beginning in FY 2026-27, DPA will produce the report on cost savings achieved, which is estimated to cost \$50,000 per year in consultant fees.

Beginning in FY 2027-28, 20 percent of the savings (after the reporting costs and other transfers) are available for DPA to reduce the group health benefit premium costs for state employees.

Table 2B
State Expenditures
Department of Personnel and Administration

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
Reporting	\$0	\$50,000	\$50,000
Payments to Reduce Employee Premiums	\$0	\$0	\$8,129,817
Total Costs	\$0	\$50,000	\$8,179,817
Total FTE	0.0 FTE	0.0 FTE	0.0 FTE

Department of Health Care Policy and Financing

The bill increases expenditures in HCPF by up to \$500,000 to conduct the required study in FY 2027-28 only, paid from the Health Care Reimbursement Feasibility Study Cash Fund. Beginning that same year, the bill increases expenditures on primary care reimbursements for uninsured and low-income patients by increasing the amount of money available in the Primary Care Fund by the amount shown in Table 2C.

Table 2C
State Expenditures
Department of Health Care Policy and Financing

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
Primary Care	\$0	\$0	\$24,389,451
Study	\$0	\$0	\$500,000
Total Costs	\$0	\$0	\$24,889,451
Total FTE	0.0 FTE	0.0 FTE	0.0 FTE

Department of Human Services

The bill increases expenditures in the Behavioral Health Administration to support the capacity of community behavioral health providers. This amount is estimated at \$8.1 million per year beginning in FY 2027-28.

Other State Agencies

Workload may increase in FY 2027-28 in the Department of Education and the Department of Higher Education to coordinate information from school districts and institutions of higher education, respectively, for HCPF's study. This workload is expected to be minimal.

Local Government and School Districts

The bill increases workload in local governments and school districts to share information with HCPF for the health care reimbursement feasibility study.

Technical Note

The transfers from the Supplier Database Cash Fund are based on the costs identified for DORA in the initial fiscal note. This revised fiscal note updates the DORA's costs, so the transfers should be likewise updated.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2025-26, the bill requires an appropriation of \$100,183 from the Division of Insurance Cash Fund to the Department of Regulatory Agencies. Of this, \$60,183 is reappropriated to the Department of Law, with 0.3 FTE.

State and Local Government Contacts

Education	Local Affairs
Health Care Policy and Financing	Personnel
Higher Education	Public Health and Environment
Human Services	Regulatory Agencies
Law	Treasury