

**LEGISLATIVE SERVICES AGENCY**  
**OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**  
**FISCAL IMPACT STATEMENT**

**LS 6817**

**BILL NUMBER:** HB 1201

**NOTE PREPARED:** Dec 30, 2025

**BILL AMENDED:**

**SUBJECT:** Various Mental Health and Insurance Matters.

**FIRST AUTHOR:** Rep. Rowray

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
 **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** *Use of AI:* This bill prohibits the use of an artificial intelligence (AI) system to impersonate or act as a substitute for a licensed mental health professional.

*Insurance Matters:* This bill requires the Department of Insurance to contract with an objective third party to verify that health carriers are in compliance with network adequacy standards. It sets forth notice requirements for an amendment to a health provider contract. It prohibits the use of downcoding in a specified manner. It also requires an insurer and a health maintenance organization (HMO) to reimburse providers of mental illness or substance abuse services at rates that are at least as favorable relative to Medicare rates as reimbursement rates are for providers of medical or surgical services relative to Medicare rates.

This bill prohibits an insurer and an HMO from retroactively auditing a paid claim or seeking recoupment or a refund of a paid claim after a certain time frame. It also sets forth a limitation on the amount that an insured or enrollee may be charged for receiving mental and behavioral care services from an out of network provider under certain circumstances.

**Effective Date:** July 1, 2026.

**Explanation of State Expenditures:** *Insurance Matters:* The bill may increase expenditures for the Indiana Department of Insurance (DOI) to contract with a third party to verify health carrier compliance with network adequacy standards. Also, the bill will increase workload for the DOI to ensure compliance with the bill's provisions regarding the use of AI, network adequacy, reimbursement rate reductions, recoupment of overpayments, material change, out-of-network billing, and downcoding. This should be able to be implemented using existing staffing and resources. *[The DOI is funded through a dedicated agency fund.]*

*Use of AI:* The bill will increase workload for the State Psychology Board and the Behavioral Health and Human Services Licensing Board to enforce the bill's AI provisions. This should be able to be accomplished within the existing meeting schedules of the boards. *[Typically, the State Psychology Board meets every other month and the Behavioral Health and Human Services Licensing Board meets monthly.]*

**Explanation of State Revenues:** *Insurance Matters:* The DOI may impose a civil penalty of up to \$25,000, to be deposited into the state General Fund, against an HMO that violates the bill's requirements. Civil penalties may not exceed a total of \$100,000 per calendar year per HMO.

*Use of AI:* Licensed mental health professionals that violate the bill's provisions regarding AI may be assessed with a civil penalty of up to \$5,000 per violation, to be deposited into the state General Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Insurance Matters:* The bill sets prohibitions on insurers retroactively reducing the reimbursement rate for CPT codes and seeking repayment of previously paid claims or overpayments, as well as sets parameters, based in part on Medicare rates, for minimum reimbursement rates paid by insurers to providers of mental illness or substance abuse services. These provisions may result in additional revenue for locally owned hospitals providing such services.

**State Agencies Affected:** Department of Insurance; State Psychology Board; Behavioral Health and Human Services Licensing Board.

**Local Agencies Affected:** Locally-owned hospitals.

**Information Sources:** IC 27-13-24-1; [www.in.gov/pla/professions/psychology-home/psychology-board](http://www.in.gov/pla/professions/psychology-home/psychology-board); [www.in.gov/pla/professions/behavioral-health-and-human-services/behavioral-health-and-human-services-licensing-board-board](http://www.in.gov/pla/professions/behavioral-health-and-human-services/behavioral-health-and-human-services-licensing-board-board).

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