

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

LS 7085
BILL NUMBER: HB 1271

NOTE PREPARED: Jan 20, 2026
BILL AMENDED: Jan 20, 2026

SUBJECT: Payment of Health Claims.

FIRST AUTHOR: Rep. McGuire
FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill requires a hospital to: (1) disclose information concerning payment assistance programs; (2) post signs concerning the programs in specified locations of the hospital; and (3) make information concerning the programs available to individuals through the hospital's patient portal system. It requires a hospital to notify individuals of available payment assistance programs before beginning a collection action against the individual.

This bill requires the Department of Insurance to initiate rulemaking to effectuate the provisions regarding out-of-pocket expense credits not later than July 1, 2026.

This bill prohibits an insurer that issues a policy of accident and sickness insurance, a health maintenance organization (HMO), and a third party contractor from using downcoding in a specified manner. It prohibits an insurer and an HMO from retroactively reducing the reimbursement rate for any CPT code. It also sets forth limitations on an insurer and an HMO retroactively auditing a paid claim or seeking recoupment or a refund of a paid claim.

Effective Date: Upon passage; July 1, 2026.

Explanation of State Expenditures: The bill's requirements will increase workload for the Indiana Department of Insurance (DOI) to adopt rules (not later than July 1, 2026) and to ensure compliance. This should be able to be implemented using existing staffing and resources. *[The DOI is funded through a dedicated agency fund.]*

Explanation of State Revenues: The bill may increase revenue to the state General Fund from civil penalties. Hospitals may be assessed a penalty of up to \$1,000 per violation and HMOs may be assessed a penalty of up to \$25,000, for violating the bill's provisions.

Explanation of Local Expenditures: The bill will increase workload for locally owned hospitals to provide notice of payment assistance programs and to determine whether an individual is eligible for a payment assistance program, as prescribed in the bill.

Explanation of Local Revenues: Any changes to locally owned hospital revenue resulting from the bill to the amount of overpayments recovered from hospitals, claims adjusted, or payment error requests made by hospitals is indeterminate.

Additional Information: The bill sets prohibitions on the downcoding of provider claims, as well as on insurers retroactively reducing the reimbursement rate for CPT codes, auditing paid claims, or seeking recoupment or refund of paid claims. It also shortens the time it takes for payments made by insurers to providers to be considered final and sets requirements for the recovery of overpayments. This may reduce the number of overpayment requests and claim adjustments made by insurers, as well as reduce the number of payment error requests made by providers.

State Agencies Affected: Indiana Department of Insurance.

Local Agencies Affected: Locally owned hospitals.

Information Sources: IC 27-13-24-1.

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