

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

LS 7085
BILL NUMBER: HB 1271

NOTE PREPARED: Feb 19, 2026
BILL AMENDED: Feb 19, 2026

SUBJECT: Payment of Health Claims.

FIRST AUTHOR: Rep. McGuire
FIRST SPONSOR: Sen. Brown L

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: GENERAL
 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. It requires a hospital to make a reasonable effort to notify individuals of available payment assistance programs before beginning a collection action against the individual.

This bill prohibits an insurer that issues a policy of accident and sickness insurance (insurer), a Health Maintenance Organization (HMO), and a third party contractor from using downcoding in a specified manner. It prohibits a provider from using an automated process, system, or tool to submit a health benefits claim without the review of a provider or other person involved in the development of the claim for submission. It prohibits an insurer and an HMO from retroactively reducing the reimbursement rate for any CPT code. It sets forth limitations on the time frame in which an insurer and an HMO: (1) may request repayment of an overpayment, adjust a subsequent claim, recoup a paid claim, or retroactively audit a paid claim; and (2) is required to correct a payment error to a provider. It also provides that if an insurer or an HMO recoups payment from a provider due to an error in coordination of benefits, the provider may submit a claim for the same services to the appropriate insurer or health maintenance organization.

Effective Date: July 1, 2026.

Explanation of State Expenditures: The bill's requirements will increase workload for the Indiana Department of Insurance (DOI) 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 their payment assistance programs, 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.

(Revised) **Additional Information:** The bill prohibits insurers and HMOs from retroactively reducing the reimbursement rate for CPT codes. It sets reduced time frames for the downcoding, recoupment, and repayment of provider claims made by insurers and HMOs, as well as on payment error requests sought by providers. This may reduce the number of overpayment requests and claim adjustments made by insurers and HMOs, as well as reduce the number of payment error requests made by providers.

The bill also allows hospitals to enter into a written agreement with insurers and HMOs to provide different time frames for payment and claims issues than those prescribed in the bill.

State Agencies Affected: Indiana Department of Insurance.

Local Agencies Affected: Locally owned hospitals.

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

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