

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

LS 6824
BILL NUMBER: HB 1385

NOTE PREPARED: Jan 2, 2026
BILL AMENDED:

SUBJECT: Various Hospital Matters.

FIRST AUTHOR: Rep. Barrett
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: *State Directed Payment Program and HAF:* This bill requires (rather than allows) the development of programs designed to increase Medicaid reimbursement. It specifies that the reimbursement rates for a SDPP must be at least the Medicare reimbursement rates. It amends the permissible use of funds collected under the Hospital Assessment Fee (HAF). It removes language that allowed the HAF to be used to fund a SDPP that depended upon the collection of the Managed Care Assessment Fee.

IHAF: This bill requires the Office of the Secretary of Family and Social Services (FSSA) to perform a reconciliation of the capitation attributable to the Incremental Hospital Fee (IHAF). It prohibits money in the IHAF Fund from being used to fund Medicaid.

Rate Study: This bill changes the definition of "prices" concerning the hospital statewide average rate study and pricing. It also amends the requirements to conduct the study and the date by which the study must be completed.

Effective Date: Upon passage; July 1, 2026.

Explanation of State Expenditures: *Workload:* The bill will increase workload for FSSA, regarding the bill's SDPP requirements and to perform an annual reconciliation of IHAF funding calculations, and for the Office of Management and Budget regarding changes to the required rate study of hospital prices. These requirements should be able to be implemented using existing staffing and resources.

State Directed Payment Program and HAF: Indiana submitted a preprint for a new SDPP in July 2025. The preprint is currently pending approval from the U.S. Centers for Medicare & Medicaid Services. Any changes made by this bill to the SDPP will only take effect if the preprint is approved and the state implements the SDPP.

The bill establishes minimum reimbursement rates, based on Medicare rates, for inpatient and outpatient hospital services under the SDPP. (Current law sets maximum, but not minimum, reimbursement rate requirements.) The bill also prohibits HAF funds from being used for the state share requirements under the

SDPP. Any change to state expenditures regarding reimbursement rates, or federal matching funds under the SDPP, will depend upon federal approval and subsequent administrative action regarding rate setting.

IHAF: The bill prohibits money in the non-reverting IHAF Fund from being used to pay expenses of the state Medicaid Program, but maintains that the Fund may still be used to pay the state share of the Healthy Indiana Plan and other related expenses, as well as to fund the Phase-out Trust Fund.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration; Office of Management and Budget.

Local Agencies Affected:

Information Sources:

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