

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

LS 6570

BILL NUMBER: SB 173

NOTE PREPARED: Jan 15, 2026

BILL AMENDED: Jan 15, 2026

SUBJECT: Health Care Matters.

FIRST AUTHOR: Sen. Johnson T

BILL STATUS: CR Adopted - 1st House

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) *Anesthesia Time*: This bill prohibits: (1) the State Employee Health Plan (SEHP); (2) the Medicaid program; (3) an accident and sickness insurance policy; and (4) a health maintenance organization individual or group contract; from imposing a time limit on the amount of anesthesia time for a medical procedure or otherwise restricting or excluding coverage or payment of anesthesia time.

Hospital Reporting: This bill modifies the definitions of "charity care" and "community benefits" for purposes of certain hospital reporting requirements. It requires additional reporting of information by nonprofit hospitals to the Indiana Department of Health (IDOH). It requires the report to be posted on the nonprofit hospital's website and the IDOH website. It increases the penalty for failure to file the report and changes the time frame in which the penalty may be assessed. It also specifies that any penalty be deposited in the Local Public Health Fund.

Neuroplastogens: This bill allows for certain practitioners to provide neuroplastogen treatment concerning qualified patients with life threatening conditions if certain requirements are met. It allows for research to be conducted on neuroplastogen access. It also requires reporting of adverse events and annual reporting of patient statistical information and provides for immunity.

Utilization Review: This bill requires a clinical peer to disclose certain information for a peer to peer review of an adverse determination. It also prohibits a utilization review entity from using artificial intelligence as the primary means for making adverse determinations.

Downcoding: This bill prohibits a health insurer from engaging in certain downcoding practices and sets forth conditions for downcoding a claim. It also authorizes the Department of Insurance (DOI) to enforce the downcoding requirements and impose certain penalties for a violation.

Specialty Drug: This bill prohibits an insurer, pharmacy benefits manager, or other administrator of pharmacy benefits from designating a prescription drug as a specialty drug unless certain conditions are met.

Effective Date: July 1, 2026.

Explanation of State Expenditures: *Downcoding:* If the bill's requirements regarding medical claims downcoding result in fewer claims under the SEHP being reduced in price, total expenses for the SEHP could increase. Any resulting increase in state expenditures is indeterminate and will depend upon the reduction in the number of claims being downcoded and whether a covered individual with such a claim has reached their annual deductible or out of pocket maximum.

(Revised) *Workload:* The bill will increase workload for the IDOH regarding hospital reporting and neuroplastogen treatment requirements, as well as for the DOI for compliance regarding utilization review, specialty drugs, and downcoding. Both agencies should be able to implement these requirements using existing staffing and resources. *[The IDOH's administrative expenditures are currently paid from the Tobacco Master Settlement Fund, a dedicated fund. The DOI is funded through a dedicated agency fund.]*

Additional Information:

Hospital Reporting: The IDOH currently collects and posts online IRS Form 990, Schedule H in lieu of a community benefits plan (CBP) submitted by a nonprofit hospital. The bill adds several new elements that must be included on the CBP which will require IDOH to provide additional guidance to hospitals concerning the updated format and content requirements.

Anesthesia Time: The bill prohibits the SEHP and state Medicaid program from imposing a limit on anesthesia services during a medical procedure; however, no such limits currently exist.

Neuroplastogens: The bill requires the IDOH to establish a notification procedure regarding information from practitioners who administer a neuroplastogen and to publish annual statistics about neuroplastogens administered by authorized practitioners. The bill also allows IDOH to take other related actions. Neuroplastogens are a group of small molecule drugs that can provide therapeutic effects for a variety of brain disorders including depression, addiction, and post-traumatic stress disorder.

Explanation of State Revenues: *Utilization Review:* If this bill increases the number of unfair and deceptive acts discovered by the DOI, revenue to the state General Fund will increase from civil penalties paid by violators. The penalty for engaging in an unfair and deceptive act is one or both of (1) a civil penalty between \$25,000 and \$50,000 for each act or violation and (2) revocation of a person's license or certificate of authority if they knowingly engaged in an unfair or deceptive act.

Downcoding: The DOI may impose a penalty of up to \$50,000 per violation, to be deposited into the state General Fund, regarding the bill's provisions on medical claims downcoding. If a pattern or practice of discriminatory downcoding is identified, the bill allows the DOI to suspend a health insurer's certificate of authority or license which would result in a reduction in fee revenue to the DOI agency fund.

Hospital Reporting: The bill increases the civil penalties for failure to file a report of the CBP from \$1,000 to \$10,000 per violation per day and eliminates the existing grace period of 30 days after a written notice of CBP delinquency is issued to a hospital before a civil penalty may be assessed. The bill requires that revenue from these civil penalties no longer be deposited into the state General Fund but be deposited into the Local Public Health Fund instead, which is administered by the IDOH.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Hospital Reporting:* Any increase in civil penalties deposited in the Local

Public Health Fund at IDOH could in turn increase distributions to local health departments. Any change in local revenue will depend on administrative action.

State Agencies Affected: Indiana Department of Health; Indiana Department of Insurance.

Local Agencies Affected: Local health departments.

Information Sources: pmc.ncbi.nlm.nih.gov/articles/PMC9665925; www.in.gov/health/cshcr/reports-on-health-care-facilities/hospital-community-benefit-reports; www.in.gov/medicaid/providers/files/modules/anesthesia-services.pdf; www.in.gov/spd/benefits/health-plan-options.

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