



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

SB 26-017: OUT-OF-NETWORK HEALTH INS DISPUTE RESOLUTION

Prime Sponsors:

Sen. Daugherty; Bright

Fiscal Analyst:

Kristine McLaughlin, 303-866-4776
kristine.mclaughlin@coleg.gov

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Fiscal note status: The fiscal note reflects the introduced bill.

Summary Information

Overview. The bill adds mechanisms for the Department of Regulatory Agencies to enforce out-of-network claim payment requirements.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Expenditures
- State Revenue
- State Diversions

Appropriations. For FY 2026-27, the bill requires an appropriation of \$128,240 to the Department of Regulatory Agencies.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0
State Expenditures	\$155,870	\$121,485
Diverted Funds	\$155,870	\$121,485
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.9 FTE	0.7 FTE

Fund sources for these impacts are shown in the tables below.

Table 1A
State Expenditures

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	\$0	\$0
Cash Funds	\$128,240	\$101,055
Federal Funds	\$0	\$0
Centrally Appropriated	\$27,630	\$20,430
Total Expenditures	\$155,870	\$121,485
Total FTE	0.9 FTE	0.7 FTE

Table 1B
State Diversions

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	-\$155,870	-\$121,485
Cash Funds	\$155,870	\$121,485
Net Diversion	\$0	\$0

Summary of Legislation

Current law binds health insurance carriers to predetermined statutorily defined payment rates for out-of-network services and, upon request, requires carriers to inform providers about their compliance with these payment rates. This investigatory process is facilitated by the Department of Regulatory Agencies (DORA), as discussed in the Background section below.

Under the bill, DORA must actively participate in the investigatory process, issue determinations, and may direct carriers to pay any additional amounts due plus any fees they deem appropriate. Also, DORA must produce an annual report on the statistics and impact of out-of-network claims.

Background

House Bill 19-1174 established payment rates and disclosure requirements for health insurance carriers receiving claims for out-of-network services.

HB 19-1174 also established an investigatory and arbitration process. DORA created an online form for providers to request information about out-of-network claims from carriers. This process currently receives between two and three requests per month. If providers wish to dispute the payment, they may go through the arbitration process or file a deceptive trade practice civil claim.

HB 19-1174 also required DORA to produce an annual report about on the statistics and impact of out-of-network claims; however, this provision was repealed under Senate Bill 24-135.

House Bill 22-1284 conformed HB 19-1174 to the federal No Surprise Billing Act

State Revenue

State revenue will increase to the extent that DORA imposes penalties as a result of information received during the out-of-network claim investigatory process. Given the uncertainty about the number of submissions that will result in a penalty and the magnitude of each fine, the fiscal note cannot estimate this impact. This revenue is classified as a damage award and is not subject to TABOR.

State Diversion

The bill diverts \$156,000 from the General Fund to the Division of Insurance Cash Fund in FY 2026-27 and \$122,000 in future years. This revenue diversion occurs because the bill increases costs in the Division of Insurance (DOI), which is funded with premium tax revenue that would otherwise be credited to the General Fund.

State Expenditures

The bill increases state expenditures in DORA by \$156,000 in FY 2026-27 and \$122,000 in future years. These costs, paid from the Division of Insurance Cash Fund, are summarized in Table 2 and discussed below. Additionally, workload in the Judicial Department may be impacted if the number of deceptive trade practice claims change.

Table 2
State Expenditures
Department of Regulatory Agencies

Cost Component	Budget Year FY 2026-27	Out Year FY 2027-28
Personal Services	\$63,848	\$43,919
Operating Expenses	\$896	\$640
Capital Outlay Costs	\$7,000	\$0
Legal Services	\$56,496	\$56,496
Centrally Appropriated Costs	\$22,546	\$15,345
FTE – Personal Services	0.7 FTE	0.5 FTE
FTE – Legal Services	0.2 FTE	0.2 FTE
Total Costs	\$155,870	\$121,485
Total FTE	0.9 FTE	0.7 FTE

Department of Regulatory Agencies

DORA will require staff and have additional costs to actively participate in the out-of-network claim investigatory process, as well as to produce the annual report, as outlined below.

Investigatory Process

DORA requires 0.2 FTE to actively participate in the out-of-network claim investigatory process. This estimate is informed by data on current utilization of the process—two to three claims per month—and assumes that utilization will increase as the process becomes more beneficial to providers.

Additionally, DORA requires 408 hours of legal services annual starting in FY 2026-27 to assist in making legal determinations and to participate in hearings related to the investigatory process. Legal services are provided by the Department of Law at a rate of \$138.47 per hour. This estimate assumes two hearings per month, based on the current utilization of the investigatory process.

Reporting Requirements

DORA requires 0.5 FTE in FY 2026-27 and 0.3 FTE in future years to produce an annual report on the statistics and impact of out-of-network claims. This estimate is informed by the reports produced under HB 19-1174, for which funding for 0.3 FTE was appropriated for one year to the department for three years of reporting. The fiscal note assumes that additional ongoing resources are necessary to produce the new reports because the previous reports were repealed for not meeting statutory or agency standards.

Centrally Appropriated Costs

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which may include employee insurance, supplemental employee retirement payments, indirect cost assessments, and other costs, are shown in Table 2 above.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2026-27, the bill requires an appropriation of \$128,240 from the Division of Insurance Cash Fund to the Department of Regulatory Agencies, and 0.7 FTE. Of this amount, \$56,496 and an additional 0.2 FTE is reappropriated to the Department of Law.

Departmental Difference

The Department of Law (DOL) estimates that the Department of Regulatory Agencies (DORA) will require 2,240 hours of legal services in FY 2026-27 and 2,040 hours in future years, requiring an appropriation of \$310,173 in FY 2026-27 and \$282,479 annually thereafter. DOL's estimate assumes that DORA will receive 10 submissions to the investigatory process per month, with each submission requiring 17 hours of legal services. While the fiscal note assumes the bill will increase utilization of the investigatory process, it estimates that around two submissions per month will require a hearing and the full amount of legal services.

State and Local Government Contacts

Health Care Policy and Financing

Personnel

Judicial

Public Health and Environment

Law

Regulatory Agencies