



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 25-1174: REIMBURSEMENT REQUIREMENTS FOR HEALTH INSURERS

Prime Sponsors:

Rep. Brown; Sirota
Sen. Bridges; Jodeh

Fiscal Analyst:

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

Summary Information

Overview. The bill creates new reimbursement requirements for certain health insurance plans and commissions a study on health insurance reimbursements.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis beginning in FY 2025-26:

- State Expenditures
- State Transfers
- State Diversions
- Local Government
- School Districts

Appropriations. For FY 2025-26, the bill requires an appropriation of \$260,183 to the Department of Regulatory Agencies.

Table 1
State Fiscal Impacts

Type of Impact ¹	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0	\$0
State Expenditures	\$260,183	-\$64,709,268	\$240,732
Transferred/Diverted Funds	\$260,183	\$290,732	\$65,240,732
Change in TABOR Refunds	\$0	\$0	\$0
Change in State FTE	0.3 FTE	1.0 FTE	1.0 FTE

¹ Fund sources for these impacts are shown in the tables below.

**Table 1A
State Expenditures**

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
General Fund	\$0	-\$65,000,000	-\$65,000,000
Cash Funds	\$260,183	\$290,732	\$65,240,732
Federal Funds	\$0	\$0	\$0
Centrally Appropriated	\$0	\$0	\$0
Total Expenditures	\$260,183	-\$64,709,268	\$240,732
Total FTE	0.3 FTE	1.0 FTE	1.0 FTE

**Table 1B
State Transfers and Diversions**

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
General Fund	-\$260,183	-\$290,732	-\$65,240,732
Primary Care Fund	\$0	\$0	\$51,460,000
Group Benefit Plans Expenditure Savings CF	\$0	\$0	\$13,040,000
Health Care Reimbursement Feasibility Study CF	\$0	\$0	\$500,000
Department of Insurance Cash Fund	\$260,183	\$290,732	\$240,732
Net Transfer	\$0	\$0	\$0

Summary of Legislation

The bill limits the rates at which insurance carriers must reimburse health care providers. Health facilities may not bill individuals for an outstanding balance not paid by the carrier other than applicable in-network coinsurance. These rate restrictions apply to:

- the state employee group benefit plan beginning July 1, 2026; and
- all small group benefit plans beginning January 1, 2027.

The Commissioner of Insurance in the Department of Regulatory Agencies (DORA) may require a health facility to participate in a small group health benefit plan offered in the small group market. A facility that refuses is subject to warning, and then a fine.

The Department of Personnel and Administration (DPA) must submit an annual report beginning September 1, 2027, to the Governor, the State Treasurer, and the Joint Budget Committee specifying any cost savings that result from reduced provider reimbursements and the department's cost to determine the amount saved.

The bill then requires the following transfers from the General Fund:

- in 2027 only, \$500,000 to the new Health Care Reimbursement Feasibility Study Cash Fund;
- an amount equal to DPA's costs to determine the savings, plus 20 percent of the remaining savings identified in the report, to the new Group Benefit Plans Expenditure Savings Cash Fund; and
- an amount equal to 80 percent of the remaining savings identified in the report to the Primary Care Fund, which is used by the Department of Health Care Policy and Financing to pay for healthcare costs for uninsured or medically indigent patients.

The Group Benefit Plans Expenditure Savings Cash Fund is continuously appropriated to DPA to pay for its costs to calculate the cost savings from the bill, to reduce the group benefit plan premium for FY 2027-28 only, and for the benefit of state employees as negotiated between the state and the state employee union.

The HCPF must study the feasibility of establishing specifications for health plan reimbursements, similar to those the bill requires of the state employee group benefit plan. It must collaborate with the Department of Education, the Colorado Commission of Higher Education, and the Department of Local Affairs. School districts, institutions of higher education, and local governments must submit information as requested by HCPF for the study. HCPF must submit a final report to the General Assembly by January 1, 2028. The Health Care Reimbursement Feasibility Study Cash Fund is continuously appropriated to HCPF for this purpose. Any unobligated fund balance reverts to the General Fund on June 30, 2027.

State Transfers and Diversions

The bill requires annual transfers from the General Fund, beginning in FY 2027-28, based on the amount of savings attributed to the bill's reimbursement requirements. These are estimated at:

- \$51,460,000 to the Primary Care Fund;
- \$13,040,000 to the Group Benefit Plans Expenditure Savings Cash Fund; and
- in FY 2027-28 only, \$500,000 to the Health Care Reimbursement Feasibility Study Cash Fund.

This bill also diverts \$260,183 from the General Fund in FY 2025-26 and \$240,732 in subsequent years. This revenue diversion occurs because the bill increases costs in the Division of Insurance in the Department of Regulatory Agencies, which is funded with premium tax revenue that would otherwise be credited to the General Fund.

State Expenditures

The bill increases state expenditures by about \$250,000 each year in the Department of Regulatory Agencies. It reduces General Fund expenditures by about \$65 million beginning in FY 2026-27 only, as each year's General Fund savings become cash fund expenditures the following year. These savings and expenditures will be incurred in DPA and HCPF as shown in Tables 2 through 2B and described in the sections below.

**Table 2
State Expenditures
All Departments**

Department	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
Department of Regulatory Agencies	\$260,183	\$240,732	\$240,732
Department of Personnel and Administration	\$0	-\$64,950,000	-\$51,960,000
Department of Health Care Policy & Financing	\$0	\$0	\$51,960,000
Total Costs	\$260,183	-\$64,709,268	\$240,732

Department of Regulatory Agencies

DORA will have reporting and legal costs, as outlined below and shown in Table 2A.

Contractor

DORA requires an estimated \$200,000 to hire an actuarial firm to conduct market research on property and casualty insurers, determine affordability and availability of coverage, identify areas of concern, develop recommendations for long-term sustainability, and generate a report. Based on the level of detail required by the bill, the fiscal note assumes that a contractor will perform 500 hours of work at an estimated \$400 per hour. Actual costs will be determined through the contracting process.

Legal Services

DORA requires 450 hours of legal services in FY 2025-26 to update rules and 1,800 hours in subsequent years for enforcement support. Legal services are provided by the Department of Law at a rate of \$133.74 per hour.

**Table 2A
State Expenditures
Department of Regulatory Agencies**

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
Contractor	\$200,000	\$0	\$0
Legal Services	\$60,183	\$240,732	\$240,732
Total Costs	\$260,183	\$240,732	\$240,732
Total FTE	0.3 FTE	1.0 FTE	1.0 FTE

Department of Personnel and Administration

Changes to state insurance plans are expected to reduce premiums by about \$65 million per year beginning in FY 2026-27. This estimate was provided by the two insurers who currently provide health insurance coverage for state employees, Cigna Health and Kaiser Permanente, based on recent claims data.

Also beginning in FY 2026-27, DPA will produce the report on cost savings achieved, which is estimated to cost \$50,000 per year in consultant fees.

In FY 2027-28, 20 percent of the savings (after the reporting costs) are available for DPA to reduce the group benefit plan premium costs for state employees. In subsequent years, this money is used for the benefit of state employees as negotiated with the state union.

**Table 2B
State Expenditures
Department of Personnel and Administration**

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
Insurance Premiums	\$0	-\$65,000,000	-\$65,000,000
Reporting	\$0	\$50,000	\$50,000
Payments to Reduce Employee Premiums	\$0	\$0	\$12,990,000
Total Costs	\$0	-\$64,950,000	-\$51,960,000
Total FTE	0.0 FTE	0.0 FTE	0.0 FTE

Department of Health Care Policy and Financing

The bill increases expenditures in HCPF by up to \$500,000 to conduct the required study in FY 2027-28 only, paid from the Health Care Reimbursement Feasibility Study Cash Fund. Beginning that same year, the bill increases expenditures on primary care reimbursements for uninsured and low-income patients by increasing the amount of money available in the Primary Care Fund by the amount shown in Table 2C.

**Table 2C
State Expenditures
Department of Health Care Policy and Financing**

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28
Primary Care	\$0	\$0	\$51,460,000
Study	\$0	\$0	\$500,000
Total Costs	\$0	\$0	\$51,960,000
Total FTE	0.0 FTE	0.0 FTE	0.0 FTE

Other State Agencies

Workload may increase in FY 2027-28 in the Department of Education and the Department of Higher Education to coordinate information from school districts and institutions of higher education, respectively, for HCPF's study. This workload is expected to be minimal.

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 include employee insurance and supplemental employee retirement payments, are shown in the expenditure tables above.

Local Government and School Districts

The bill increases workload in local governments and school districts to share information with HCPF for the health care reimbursement feasibility study.

Technical Note

The introduced bill sweeps the balance of the Health Care Reimbursement Feasibility Study Cash Fund and repeals the study requirements in 2027, before the transfer to the fund and the study's due date. The fiscal note assumes the fund's closure and repeal will occur in 2028.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2025-26, the bill requires an appropriation of \$260,183 from the Division of Insurance Cash Fund to the Department of Regulatory Agencies. Of this, \$60,183 is reappropriated to the Department of Law, with 0.3 FTE.

State and Local Government Contacts

Education

Health Care Policy and Financing

Higher Education

Law

Local Affairs

Personnel

Public Health and Environment

Regulatory Agencies

Treasury