Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 26-1002: PROVIDER PARTICIPATION IN HEALTH INSURANCE

Prime Sponsors:
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Sen. Ball; Pelton B.

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

Summary Information

Overview. The bill requires health insurance carriers to take steps to verify participation in, and to make updates to, their provider networks.

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

- State Expenditures
- State Diversions
- Statutory Public Entity

Appropriations. For FY 2026-27, the bill requires an appropriation of $30,000 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	$30,000	$0
Diverted Funds	$30,000	$0
Change in TABOR Refunds	$0	$0
Change in State FTE	0.0 FTE	0.0 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	$30,000	$0
Federal Funds	$0	$0
Centrally Appropriated	$0	$0
Total Expenditures	**$30,000**	**$0**
Total FTE	**0.0 FTE**	**0.0 FTE**

Table 1B
State Diversions

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	-$30,000	$0
Cash Funds	$30,000	$0
Net Diversion	**$0**	**$0**

Summary of Legislation

The bill requires health insurance carriers to update their provider networks by establishing procedures for provider inactivity, mental health provider network applications, and mental health provider prelicensure.

Additionally, the bill expands clinical social worker licensure requirements.

Provider Inactivity

If an in-network provider has not submitted a claim to a carrier for six months, carriers must confirm the provider's intent to stay in the network and accept new patients. If the provider does not respond, the carrier must remove them from the network. This applies to private health insurance carriers and Medicaid.

Expedited Application Timelines for Mental Health Providers

Senate Bill 21-126 established timelines for private health insurance carriers to credential physicians applying to join the carrier's network. The bill adds mental health and substance use disorder providers to this requirement, and establishes expedited timelines for compliance. The bill subjects Medicaid to similar timeline requirements for mental health and substance use disorder providers seeking to participate in that program.

Prelicensure for Mental Health Providers

The bill establishes a prelicensure process for providers to be reimbursed as in-network providers by private health insurance carriers if they are working under the supervision of a participating mental health or substance use provider. The Department of Regulatory Agencies (DORA) will set all necessary requirements for the process, and is authorized to enforce compliance.

Clinical Social Workers Licensure Requirements

The bill requires clinical social workers to complete 3,000 post-master's supervised clinical hours over two to five years to be licensed by DORA.

Background and Assumptions

For providers to become a part of a network servicing Medicaid clients, they must first be enrolled by the Department of Health Care Policy and Financing (HCPF). This process is heavily regulated at the federal level. After being enrolled as Medicaid provider, the provider must be credentialed by a Managed Care Organizations (MCOs), which coordinate a network of Medicaid providers under the Accountable Care Collaborative.

The bill, as written, impacts the provider Medicaid enrollment process and not the MCO credentialing process. As a result, the bill likely conflicts with federal law, as described in the Technical Note section. For this reason, the fiscal note assumes the changes under the bill cannot be applied to the Medicaid program and a detailed cost estimate for HCPF is not included in the fiscal note at this time.

State Diversions

The bill diverts $30,000 from the General Fund to the Division of Insurance Cash Fund in FY 2026-27 only. 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 by $30,000 in DORA in FY 2026-27 only, paid from the Division of Insurance Cash Fund. Additionally, the bill may impact state employee health insurance and Medicaid costs. These costs are discussed below.

Department of Regulatory Agencies

The bill increases costs in DORA by $30,000 for rulemaking to establish a prelicensure process for mental health providers. This estimate is based on a consultant with relevant expertise conducing 100 hours of work at a rate of $300 per hour. Workload will also increase for outreach and complaint processing, which can be absorbed within existing resources.

State Employee Health Insurance

Administrative requirements placed on private insurance companies under the bill may contribute to higher premiums for state employee health insurance, which are shared by state agencies and employees. The fiscal note assumes that any change in state employee health insurance premiums will be minimal. (See Departmental Difference).

While the current partnership agreement with Colorado WINS specifies that any increased premium costs will be paid by the state through FY 2027-28, the exact share paid by the state and by employees will ultimately be adjusted and set by the General Assembly through the annual budget process. Any cost increase for state employee health insurance will be paid through various centrally appropriated line items across all state agencies and will be adjusted through the annual budget process.

Medicaid

If the conflicts with federal law were resolved and the bill applied to credentialing by Medicaid MCOs, costs would increase for these MCOs to implement the provider inactivity process and expedite their application review timelines. It is assumed that these costs would be passed on to HCPF through increased MCO contract costs. These costs could total $5 million, but a final cost estimate will depend on how the legal conflict is resolved and further analysis.

Technical Note

As drafted, the provisions of the bill affecting the Medicaid provider enrollment process likely conflict with the following federal Medicaid requirements under 42 CFR Part 455, Subpart E (Provider Screening and Enrollment):

- Federal rules require HCPF to control provider enrollment, screening, revalidation, and termination decisions, and to ensure that providers are permitted to participate in Medicaid only after required screening has been completed and documented. This is further enforced by rules related to federally required enrollment fees. The bill requires MCOs to control aspects of the state Medicaid enrollment process without involvement by HCPF.
- Federal rules list conditions under which provider enrollment can be terminated. Provider inactivity and failure to respond to MCO outreach is not a federally allowable condition for termination.
- Federal rules do not permit provider enrollment by default and require completion of screening as part of the enrollment process prior to participation. The bill requires enrollment by default if MCOs fail to meet timeline requirements.

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 $30,000 from the Division of Insurance Cash Fund to the Department of Regulatory Agencies.

Departmental Difference

The Department of Personnel and Administration estimates that the bill will increase state employee health insurance costs by $130,000, based on estimates provided by one of the two companies that provides state employee health insurance (Kaiser Permanente). This estimate assumes an increase in mental health service utilization. While the fiscal note assumes that the bill may increase administrative costs for insurers, which could contribute to higher premiums, the fiscal note does not assume any significant change in overall service utilization by state employees.

State and Local Government Contacts

Health Care Policy and Financing

Information Technology

Law

Personnel

Public Health and Environment

Regulatory Agencies

Revenue