



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 26-1139: USE OF ARTIFICIAL INTELLIGENCE IN HEALTH CARE

Prime Sponsors:

Rep. Joseph; Lieder
Sen. Cutter; Daugherty

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Fiscal note status: This revised fiscal note reflects the reengrossed bill.

Summary Information

Overview. This bill establishes requirements for the use of an artificial intelligence (AI) system in health care utilization and prohibits insurers from covering psychotherapy services conducted by AI.

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

- Minimal State Workload
- Minimal State Revenue

Appropriations. No appropriation required.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0
State Expenditures	\$0	\$0
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE

Summary of Legislation

This bill establishes requirements for the use of an artificial intelligence (AI) system in health care utilization and prohibits payment for psychotherapy services conducted by AI.

Utilization Review

Under the bill, AI may be used in utilization review by health insurers, as long as the AI system is not discriminatory, meets specific documentation requirements, and bases its determination on:

- an individual's medical or other clinical history;
- individual clinical circumstances; and
- other relevant clinical information in the individual's records.

A denial or delay of coverage based in whole or in part on medical necessity cannot be based solely on the output of an AI system without independent approval by a health care professional.

The bill requires that a person providing an AI system for utilization review provide written disclosures to the Division of Insurance in the Department of Regulatory Agencies (DORA), the Department of Human Services (DHS), or the Department of Health Care Policy and Financing (HCPF), as applicable, pertaining to how the artificial intelligence system will be used and what oversight will be provided.

Coverage Prohibition

The bill prohibits a public or private payer, including Medicaid and the Children's Basic Health Plan (CHP+), from providing coverage for psychotherapy services conducted by AI, and prohibits a mental health provider from billing for services provided by an AI system.

Background and Assumptions

Current policies of the Department of Personnel and Administration, which manages state employee insurance, HCPF and DHS, do not allow payment for delivery of services by AI systems. For HCPF, the bill largely codifies existing practices related to utilization review and payment prohibitions delivered directly by AI systems. DHS has not adopted the use of AI in clinical settings.

State Revenue

The Judicial Branch may have a minimal increase in revenue from new civil case filings. Any increase is expected to be minimal and are subject to TABOR.

State Expenditures

The bill will increase workload, for several state agencies as described below.

Division of Insurance—DORA

The Division of Insurance will have additional workload to issue new rules for insurers related to the use of AI in claims processing and the disclosures required under the bill. Additional staff time will be required to review the disclosure filings under the bill. This workload can be accomplished within existing appropriations.

Judicial Branch

To the extent that civil filings for judicial review or discriminatory practices increases, the workload for trial courts will increase. This is expected to be minimal and accomplished within existing appropriations.

Effective Date

The bill takes effect January 1, 2027, if no referendum is filed, and applies to actions taken on or after that date.

State and Local Government Contacts

Health Care Policy and Financing	Law
Human Services	Personnel
Information Technology	Public Health and Environment
Judicial	Regulatory Agencies