Colorado Legislative Council Staff

SB17-104

FISCAL NOTE

FISCAL IMPACT: ☒ State ☐ Local ☐ Statutory Public Entity ☐ Conditional ☐ No Fiscal Impact

Drafting Number:	LLS 17-0844	**Date:**	February 13, 2017
Prime Sponsor(s):	Sen. Donovan	**Bill Status:**	Senate Business
		Fiscal Analyst:	Bill Zepernick (303-866-4777)

BILL TOPIC: CATASTROPHIC PLANS IN GEOGRAPHIC RATING AREAS

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue	**$0**	**$0**
State Diversions		
General Fund	(52,086)	(30,405)
Cash Funds	52,086	30,405
State Expenditures	**$52,086**	**$30,405**
Cash Fund	43,780	24,936
Centrally Appropriated Costs	8,306	5,469
FTE Position Change	0.6 FTE	0.4 FTE
Appropriation Required: $43,780 - Department of Regulatory Agencies (FY 2017-18).		
Future Year Impacts: Ongoing state expenditure increase.		

Summary of Legislation

If a health insurance carrier offers an individual health benefit plan in three designated geographic areas of the state, the bill requires that the carrier also offer a catastrophic plan to any eligible individual in that area. The bill applies to the east geographic rating area (eastern plains counties), the west geographic rating area (Western Slope and mountain counties), and geographic rating area five (Mesa County). These catastrophic plans must be offered for a minimum of three years.

Background

Catastrophic health plans. Catastrophic health plans are plans that have lower premiums and higher deductibles than typical health plans, and aim to protect covered individuals from large expenses in the case of a serious accident or illness. Covered individuals pay for most health expenses until the deductible is met, and covered services may not be as robust as typical health plans. Under the federal Patient Protection and Affordable Care Act (PPACA), catastrophic health plans count as qualified health coverage for avoiding tax penalties under the individual mandate if a person is under the age of 30 or otherwise qualifies for a hardship exemption. Catastrophic plans are not eligible for federal tax subsidies when purchasing health insurance through the state health insurance exchange.

Insurance rating areas. Under PPACA, health insurance premiums in the individual market must be calculated using modified community rating, in which the risk factors are calculated for all persons within the market as a whole, and are only adjusted for individual characteristics of a policyholder according to age, tobacco use, family size, and geographic location. Currently, the state uses nine geographic rating areas for setting rates in the individual health insurance market.

State Revenue

While the bill does not affect net state revenue, it does result in a diversion from the General Fund as described below.

State diversions. This bill diverts $52,086 from the General Fund in FY 2017-18 and $30,405 in FY 2018-19 and future years. This revenue diversion occurs because the bill increases costs in the Department of Regulatory Agencies (DORA), Division of Insurance, which is funded with premium tax revenue that would otherwise be credited to the General Fund.

State Expenditures

The bill increases costs in DORA by $52,086 and 0.6 FTE in FY 2017-18 and by $30,405 and 0.4 FTE in FY 2018-19 and future years. These costs, paid from the Division of Insurance Cash Fund, are summarized in Table 1 and discussed below.

Table 1. Expenditures Under SB 17-104

Cost Components	FY 2017-18	FY 2018-19
Personal Services	$38,507	$24,936
FTE	0.6 FTE	0.4 FTE
Operating Expenses and Capital Outlay Costs	5,273	0
Centrally Appropriated Costs*	8,306	5,469
TOTAL	**$52,086**	**$30,405**

** Centrally appropriated costs are not included in the bill's appropriation.*

Division of Insurance. The bill increases costs in the Division of Insurance in DORA in two areas. First, the Division of Insurance requires 0.6 FTE in FY 2017-18 for rate analyst and actuarial staff. This staff will develop rules concerning the bill and conduct an out-of-cycle rate review of additional catastrophic plans that carriers on the individual market will be required to offer under the bill starting in 2018. This out-of-cycle filing results because carriers are required to prepare and submit rate filings for 2018 plans by May 15, 2017, and the fiscal note assumes the current effective date of bill will not give carriers sufficient time to alter their filings prior to the submission deadline. Second, the Division of Insurance will require 0.4 FTE per year starting in FY 2018-19 for staff to respond to consumer inquiries and complaints regarding catastrophic plans. The personal services costs and standard operating and capital expenses for these staff are shown in Table 1 above.

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. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

Table 2. Centrally Appropriated Costs Under SB 17-104		
Cost Components	**FY 2017-18**	**FY 2018-19**
Employee Insurance (Health, Life, Dental, and Short-term Disability)	$4,856	$3,235
Supplemental Employee Retirement Payments	3,450	2,234
TOTAL	**$8,306**	**$5,469**

Effective Date

The bill takes effect January 1, 2018, if no referendum petition is filed.

State Appropriations

For FY 2017-18, the bill requires an appropriation of $43,780 to the Department of Regulatory Agencies from the Division of Insurance Cash Fund, and an allocation of 0.6 FTE.

State and Local Government Contacts

Health Care Policy and Financing
Law
Regulatory Agencies
Information Technology
Personnel and Administration