

**FINAL
FISCAL NOTE**

Drafting Number: LLS 13-0645	Date: July 22, 2013
Prime Sponsor(s): Rep. McCann	Bill Status: Signed into Law
Sen. Steadman; Roberts	Fiscal Analyst: Clare Pramuk (303-866-2677)

TITLE: CONCERNING THE REPEAL OF COVERCOLORADO, AND, IN CONNECTION THEREWITH, TERMINATING HEALTH CARE COVERAGE FOR ALL COVERCOLORADO PARTICIPANTS EFFECTIVE APRIL 1, 2014, AS PART OF THE TRANSITION TO HEALTH INSURANCE COVERAGE REGARDLESS OF PREEXISTING MEDICAL CONDITIONS UNDER THE FEDERAL "PATIENT PROTECTION AND AFFORDABLE CARE ACT".

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014	FY 2014-2015
State Revenue			
General Fund	\$2.5 million	\$5.0 million	\$5.0 million
Cash Funds			
Unclaimed Property Trust Fund		15.0 million	
State Transfers			
Transfer from the Unclaimed Property Trust Fund to CoverColorado - Reduction	(\$6.0 million)	(\$36.5 million)	(\$36.5 million)
State Expenditures			
FTE Position Change			
Effective Date: Sections 6, 10, 11, 12, 16, and 17 take effect March 31, 2015. The remainder of the act was effective upon signature of the Governor on May 28, 2013. Sections 7, 8, and 9 would have taken effect if HB13-1266 had not become law.			
Appropriation Summary for FY 2013-2014: See State Appropriations section.			
Local Government Impact: None.			

Summary of Legislation

Due to the passage of federal health care reform, Colorado residents who are termed "high risk" will have options other than CoverColorado from which to obtain health insurance as of January 1, 2014, when the Colorado Health Benefit Exchange is operational. Because there is no reason to continue CoverColorado, the bill repeals CoverColorado as of March 31, 2015. Prior to the repeal, the board of directors of CoverColorado is to develop an orderly plan for the cessation of the program that includes:

- ending enrollment of new participants after December 1, 2013;
- termination of health care coverage for all participants effective April 1, 2014;

- payment or settlement of all claims for covered services and all other outstanding liabilities by December 31, 2014;
- reporting the final accounting of program funds to the Division of Insurance in the Department of Regulatory Agencies (DORA) by March 31, 2015; and
- transferring 25 percent of all remaining funds to the Colorado Health Benefit Exchange, with the remainder transferred to a Colorado nonprofit foundation selected by the board by March 31, 2015.

As part of the repeal, insurance carriers will no longer be assessed to help fund CoverColorado and will no longer be able to claim \$5.0 million in tax credits that will instead go to the General Fund. Transfers from the Unclaimed Property Trust Fund will cease on May 1, 2013. On July 1, 2013, CoverColorado will return \$15 million to the Unclaimed Property Trust Fund. Loss of coverage due the elimination of CoverColorado qualifies as a loss of minimum essential coverage for purposes of enrollment in the Colorado Health Benefit Exchange.

Background

CoverColorado is a nonprofit entity created by the General Assembly in 1991 to offer health insurance coverage to people unable to obtain insurance at a reasonable cost without significant exclusions. The program currently has 8.5 employees and 13,670 enrollees. It receives 50 percent of its funding from participant premiums, 25 percent from the Unclaimed Property Trust Fund (UPTF) in the Treasury Department, and up to 25 percent from special assessments on health insurance carriers, interest and federal grants. Total funding for calendar year 2013 is approximately \$114 million. CoverColorado will spend down its fund balance reserves as it winds down its operations so will not assess carriers in 2013.

The *Colorado Health Benefit Exchange* is a new health insurance marketplace, scheduled to open for business in October 2013, where individuals, families and small employers can shop for and buy health insurance based on quality and price. Up-front financial assistance will also be available to eligible Coloradans to reduce the cost of premiums. The Exchange is a public, nonprofit entity that was established by Senate Bill 11-200, passed by the General Assembly in May 2011. Federal grants are funding the launch of the new marketplace.

State Revenue

This bill is expected to increase General Fund revenue by \$2.5 million in FY 2012-13, and by \$5.0 million in FY 2013-14 and FY 2014-15. Because CoverColorado will return \$15 million to the UPTF on July 1, 2013, the bill will increase revenue to the UPTF by \$15 million in FY 2013-14. Under current law, insurance companies are compensated for the \$40 million in assessments made to CoverColorado with \$5.0 million in premium tax credits by the Division of Insurance in the DORA. Beginning in calendar year 2013, these credits will cease and are shown as an increase in General Fund revenue.

State Transfers

This bill will result in a reduction in transfers of \$6 million in FY 2012-13, and up to \$36.5 million in FY 2013-14 and FY 2014-15 from the UPTF to CoverColorado. CoverColorado currently receives approximately \$36.5 million annually from the UPTF in the Treasury Department. As a result of this bill, these transfers are expected to stop May 1, 2013.

Statutory Public Entity Impact

CoverColorado will cease operations and disburse all its funds by March 31, 2015. As the program winds down, medical claim costs and administrative expenses will decrease, funding from the UPTF will end, and the program will run entirely on participant premiums and fund balance reserves. CoverColorado will transfer an estimated \$6.75 to \$10.75 million to the *Colorado Health Benefit Exchange* for its operations.

State Appropriations

For FY 2013-14, the Department of the Treasury requires a reduction of \$36,511,694 from the Unclaimed Property Trust Fund. The appropriations clause is for informational purposes to show that the transfers to CoverColorado are eliminated.

Departments Contacted

CoverColorado
Regulatory Agencies

Health Care Policy and Financing
Treasury

Law