SB 20-005

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

FISCAL NOTE

Drafting Number:	LLS 20-0597	**Date:**	January 31, 2020
Prime Sponsors:	Sen. Winter; Priola Rep. McCluskie	**Bill Status:**	Senate HHS
		Fiscal Analyst:	Jeff Stupak | 303-866-5834 Jeff.Stupak@state.co.us

Bill Topic: **COVERED PERSON COST-SHARING COLLECTED BY CARRIERS**

Summary of Fiscal Impact:

- ☒ State Revenue
- ☒ State Expenditure
- ☒ State Diversion
- ☐ TABOR Refund
- ☐ Local Government
- ☐ Statutory Public Entity

The bill restructures the collection and payment of cost-sharing payments between health insurance carriers, health care providers, and patients. The bill will increase expenditures in the Department of Regulatory Agencies on an ongoing basis.

Appropriation Summary: The bill requires an appropriation of $89,502 in FY 2020-21 to the Department of Regulatory Agencies.

Fiscal Note Status: This fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under SB 20-005

		FY 2020-21	FY 2021-22
Revenue		-	-
Expenditures	Cash Funds	$89,502	$154,205
	Centrally Appropriated	$24,327	$46,299
	Total	**$113,829**	**$200,504**
	Total FTE	**0.9 FTE**	**1.8 FTE**
Diversions	General Fund	($89,502)	($154,205)
	Cash Funds	$89,502	$154,205
	Total	**$0**	**$0**
TABOR Refund		-	-

Summary of Legislation

The bill prohibits health insurance carriers from inducing, incentivizing, or otherwise requiring a health care provider to collect any coinsurance, copayment, or deductible (cost-sharing payments) directly from a covered person or the covered person's responsible party. The bill also prohibits inducing, incentivizing, or otherwise requiring a covered person to pay any cost-sharing payments directly to their health care provider. Additionally, health insurance carriers must collect any cost-sharing payments owed by a covered person or the covered person's responsible party in a single consolidated bill. Violation of these requirements is an unfair method of competition, an unfair or deceptive act or practice in the business of insurance, and a deceptive trade practice.

These requirements would apply to health insurance plans issued or renewed on or after the bill's effective date.

Background

The Division of Insurance (division) within the Department of Regulatory Agencies (DORA) regulates the insurance industry in Colorado, including the health insurance industry. The division responds to complaints and inquiries regarding health insurance carriers, ensures carriers are following the law, and conducts actuarial analysis of carriers' insurance rates.

The provisions of the bill apply to health insurance plans that are subject to state regulation. There are three primary markets that are subject to state regulation: the individual, small group, and large group markets, with the exception of self-insured employers. About one million Coloradans receive health insurance through state regulated plans. The bill does not apply to Medicare, Medicaid, military plans, or self-insured employer-based health plans, which are regulated by the federal government.

Assumptions

The division receives approximately 200 complaints and 1,300 inquires each year related to health insurance billing. This fiscal note assumes the bill will result in a 20 percent increase in both complaints and inquiries due to the changes in billing procedure. Complaints are assumed to take six hours to resolve, while inquiries can be resolved in 30 minutes.

The division receives approximately 800 rate filings for health insurance plans each year. This fiscal note assumes the division will need to spend an additional three hours per filing to ensure the filing complies with the requirements in the bill and is actuarially justified.

State Revenue

The bill potentially increases state revenue from civil fines and penalties on insurers that commit a deceptive trade practice or unfair insurance practice. This revenue, which is subject to TABOR, is deposited into the General Fund. The fiscal note assumes a high level of compliance by insurance carriers and that any change in revenue will be minimal.

State Diversions

This bill diverts $89,502 from the General Fund in FY 2020-21 and $154,205 in FY 2021-22. This revenue diversion occurs because the bill increases costs in the division, which is funded with premium tax revenue that would otherwise be credited to the General Fund.

State Expenditures

In FY 2020-21, the bill increases expenditures by $113,829 and 0.9 FTE, and $200,504 and 1.8 FTE in FY 2021-22, as shown in Table 2 and discussed below.

Table 2
Expenditures Under SB 20-005

	FY 2020-21	FY 2021-22
Department of Regulatory Agencies		
Personal Services	$75,887	$151,775
Operating Expenses	$1,215	$2,430
Capital Outlay Costs	$12,400	-
Centrally Appropriated Costs*	$24,327	$46,299
Total Cost	**$113,829**	**$200,504**
Total FTE	**0.9 FTE**	**1.8 FTE**

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

Division of Insurance, DORA. Starting in FY 2020-21, the division's workload will increase under the bill due to its role in regulating health insurance. The division requires an additional 0.6 FTE (prorated to 0.3 FTE in the first year) for a rate/fiscal analyst to respond to the increased number of complaints and inquiries resulting from the changes to billing procedure, and to review the approximately 800 rate filings from health insurance plans to ensure compliance with the bill's new requirements.

The bill also results in changes to how premiums and cost-sharing payments would be determined by health insurance carriers. Carriers can cancel health insurance coverage for individuals who do not pay their monthly premiums; however, they can not if individuals do not pay their cost-sharing payments. Under the bill, carriers will now be responsible for collecting cost-sharing payments, and to account for uncollected cost-sharing payments when setting their rates. In response to these changes, the division will spend additional time ensuring that the new rates and the procedures used to determine those rates are compliant with statute and are actuarially justified. The division will require an additional 1.2 FTE (prorated to 0.6 FTE in the first year) for actuaries to complete these tasks.

State employee health insurance. The bill may contribute to higher health insurance premiums by restructuring cost-sharing payments, which may impact costs for state agencies. Because state employee health insurance contributions are based upon prevailing market rates, with costs shared between the employer and employee, this bill is not expected to affect the state's share of employee health insurance premiums until FY 2022-23. Because insurance rates are influenced by a number of variables, the exact effect of this bill cannot be determined. Any increase caused by the bill will addressed through the total compensation analysis included in the annual budget process.

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 estimated to be $24,327 in FY 2020-21 and $46,299 in FY 2021-22.

Effective Date

The bill takes effect January 1, 2020, assuming no referendum petition is filed. The bill applies to plans issued or renewed on or after this date.

State Appropriations

For FY 2020-21, the bill requires an appropriation of $89,502 and 0.9 FTE to the Department of Regulatory Agencies from the Division of Insurance Cash Fund.

State and Local Government Contacts

Health Care Policy and Financing	Information Technology	Law
Public Health and Environment	Regulatory Agencies	