



**Colorado
Legislative
Council
Staff**

HB17-1235

**FINAL
FISCAL NOTE**

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

Drafting Number: LLS 17-0800 **Date:** May 23, 2017
Prime Sponsor(s): Rep. Mitsch Bush; Hamner **Bill Status:** Postponed Indefinitely
 Sen. Coram; Crowder **Fiscal Analyst:** Bill Zepernick (303-866-4777)

BILL TOPIC: FINANCIAL RELIEF DEFRAID INDIVIDUAL HEALTH PLAN COST

Fiscal Impact Summary	FY 2016-17 <i>(current year)</i>	FY 2017-2018	FY 2018-2019
State Revenue			
State Expenditures*		<u>\$5.7 million</u>	
General Fund	Workload increase.	5.7 million	Potential increase.
Appropriation Required: \$5.7 million - Connect for Health Colorado (FY 2017-18).			
Future Year Impacts: None.			

* State expenditures includes impacts for Connect for Health Colorado. See Technical Note section.

NOTE: This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

Summary of Legislation

The bill establishes a financial assistance program for persons purchasing health insurance through the state's health insurance exchange (Connect for Health Colorado) who meet the following conditions:

- have income between 400 percent and 500 percent of the federal poverty level (FPL);
- have insurance premiums greater than 15 percent of their household income;
- live in one of the three insurance rating areas with the highest premiums; and
- do not have access to health coverage through a government program or affordable, employer-sponsored health insurance.

The bill limits the total amount of assistance provided through the program to \$5.7 million from the General Fund. The amount of assistance provided is equal to the costs of the least expensive bronze plan available to the enrollee minus 15 percent of household income. Assistance is provided quarterly following the end of a calendar quarter in which an eligible enrollee maintained and paid for a health plan through Connect for Health Colorado. The assistance program will run from July 1, 2017, through December 31, 2018, or until \$5.7 million is spent on the program, whichever occurs first. The financial assistance program may be administered by counties within the program area. If a county is not willing to administer the program, Connect for Health Colorado will administer the program for that county. The bill creates a special 60-day open enrollment period starting on June 1, 2017.

Background

Under the federal Affordable Care Act, individuals with incomes between 133 percent and 400 percent of the FPL who purchase health insurance through a state health insurance exchange may receive advanced premium tax credits to offset the cost of insurance premiums. Persons with incomes above 400 percent of the FPL do not qualify for federal subsidies and must pay the whole premium amount without assistance. Insurance premiums through Connect for Health Colorado vary by age, family size, tobacco use, and place of residence. Federal subsidies are linked to the cost of insurance premiums and are calculated so that premiums do not exceed a certain percent of household income, ranging from 2.04 percent of income for individuals at 133 percent of the FPL to 9.69 percent of income at 400 percent of the FPL. In 2016, 175,000 individuals were covered through a health plan purchased through Connect for Health Colorado. Of this amount, 55 percent were eligible for federal tax subsidies and, in total, \$318 million in federal advanced premium tax credits were provided.

Assumptions

For 2017, approximately 205,000 individuals are expected to enroll in a health plan through Connect for Health Colorado, of which 104,493 individuals are not eligible for federal tax subsidies and are assumed to have income greater than 400 percent of the FPL. Based on county level income and enrollment data, approximately 27,800 enrolled individuals are estimated to have income between 400 and 500 percent of the FPL, of which about 4,500 are estimated to live in the three high cost regions of the state and potentially be eligible for financial assistance under the bill. The exact number of eligible individuals and subsidy amounts are difficult to determine given that the FPL for a given income amount varies by household size and the subsidy amount is affected by regional and age variation in insurance premiums. Two examples are provided below to illustrate how the subsidy would operate under the bill. Premium cost estimates were taken from the Connect for Health website.

Routt County - Ages 58. A family of two, both age 58, in Routt County with income of \$66,000 per year would receive an annual household subsidy under the bill of **\$12,850 per year** since the lowest cost bronze plan available in that area is \$22,750.

Routt County - Ages 36. A family of two, both age 36, in Routt County with income of \$66,000 per year would qualify for a lower subsidy of **\$1,600 per year** since insurance premiums are relatively cheaper for younger individuals, estimated at \$11,500 for the household in this example.

Eligibility and subsidy estimates. Under the bill, people in the program areas who are older, have a larger household size, and have lower incomes in the allowable income range are more likely to qualify for subsidies and for larger subsidy amounts. In contrast, individuals who are younger and have higher incomes in the allowable income range may not qualify for a subsidy, or qualify for a relatively small subsidy.

Based on the examples above and analysis of income and insurance costs in the three highest cost geographic rating areas of the state, the fiscal note assumes the following:

- about 2,000 currently enrolled individuals in the program area will be eligible for subsidies under the bill;
- currently enrolled individuals will receive an average subsidy of \$2,500 per person, per year;

- an additional 400 eligible individuals who are not currently enrolled will purchase health insurance during the special open enrollment period once the new subsidies are available (based on a 20-percent increase in enrollment among the projected subsidy-eligible population); and
- new enrollees will receive an average subsidy of \$3,500 per person, per year.

State Expenditures and Statutory Public Entity Impact

This bill is estimated to increase General Fund expenditures by **\$5.7 million in FY 2017-18 only**. Program expenditures are projected to reach the maximum allowable amount by the end of FY 2017-18. In the event that the \$5.7 million cap is not reached in FY 2017-18, financial assistance under the program will continue into FY 2018-19. Funding for the program is appropriated through the Department of Health Care Policy and Financing and then allocated to Connect for Health Colorado, which will operate the program. Counties will receive funding from Connect for Health Colorado to disperse to eligible individuals if a county chooses to operate an assistance program; otherwise, Connect for Health Colorado will distribute assistance directly to eligible individuals.

Financial assistance. The fiscal note projects that the program will spend the maximum allowable amount of \$5.7 million before the end of FY 2017-18. For informational purposes, if the program were *not* restricted in what it could spend, the fiscal note estimates that the financial assistance program would cost \$6.4 million in FY 2017-18 and \$3.2 million in FY 2018-19. The estimated unrestricted costs in FY 2018-19 reflect a half-year impact through the December 31, 2018, end date of the program. Table 1 shows the estimated unrestricted costs of insurance subsidies under the bill.

Table 1. Unrestricted Expenditures Under HB17-1235		
Cost Components	FY 2017-18	FY 2018-19 (Half-year impact)
Subsidies for Current Enrollees (2,000 x \$2,500)	\$5,000,000	\$2,500,000
Subsidies for New Enrollees (400 x \$3,500)	1,400,000	700,000
TOTAL*	\$6,400,000	\$3,200,000

* Expenditures under the bill will be limited to a total of \$5.7 million, so these amounts will not be reached under the bill as written.

Enrollment and eligibility determination. Connect for Health Colorado will have additional workload starting in the current FY 2016-17 to establish program rules for the financial assistance program and to hold a special open enrollment period in June and July 2017. It will also have additional workload to determine eligibility for individuals living in counties that choose not to administer the financial assistance program themselves. Call center staff will also be required to respond to inquiries from the public and assist eligible individuals apply for assistance. The bill specifies that Connect for Health must manage the new assistance program within its existing resources and cannot use appropriated General Fund for this purpose.

Computer system and website modifications. Connect for Health Colorado will be required to update its website to provide information about the financial assistance program and to alert potentially eligible individuals shopping for or buying health plans that they should contact their county or Connect for Health Colorado to determine their eligibility and required documentation.

Local Government Impact

The bill increases workload and costs for counties that choose to operate and manage a financial assistance program. It is assumed that participating counties will designate a county department or agency, such as a county department of human services, that has expertise interacting with the public and conducting eligibility determinations. Counties will likely be required to hire additional staff to conduct this work or to shift existing staff to this new program temporarily. The bill specifies that counties cannot use state General Fund for administrative expenses. Therefore, any new staff or costs must be paid using county funds.

Effective Date

The bill was postponed indefinitely by the Senate State, Veterans, and Military Affairs Committee on April 24, 2017.

State Appropriations

For FY 2017-18, the bill requires and includes a General Fund appropriation of \$5.7 million to the Department of Health Care Policy and Financing.

State and Local Government Contacts

Colorado Health Benefit Exchange
Health Care Policy and Financing
Information Technology
Personnel and Administration

Counties
Human Services
Judicial
Regulatory Agencies