



**Colorado
Legislative
Council
Staff**

HB17-1237

**FINAL
FISCAL NOTE**

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

Drafting Number: LLS 17-0957
Prime Sponsor(s): Rep. Hamner
Sen. Coram

Date: May 24, 2017
Bill Status: Postponed Indefinitely
Fiscal Analyst: Bill Zepernick (303-866-4777)

BILL TOPIC: STATE EMPLOYEE GROUP BENEFIT PLANS FOR LOCAL GOVERNMENTS

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue Cash Funds	Potential increase.	
State Expenditures General Fund / Cash Funds / Federal Funds	Potential increase.	
TABOR Impact	Potential increase.	
Appropriation Required: None.		
Future Year Impacts: Ongoing potential revenue and expenditure increase.		

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

Summary of Legislation

This bill allows local governments to provide health benefits to their employees through the state employee group benefit plans managed by the Department of Personnel and Administration (DPA). Participation in the state group benefit plans is voluntary for local governments and must be approved by the state personnel director through an intergovernmental agreement. The state personnel director must establish rules for local government participation, and may require that local governments meet certain financial and other conditions in order to participate in the state plan. The bill defines eligible local governments as municipalities, counties, city and counties, special districts, school districts, and any other subdivision of the state.

Background

The State of Colorado currently offers four health benefit plans in which state employees may enroll, including two preferred provider organization (PPO) plans and two health maintenance organization (HMO) plans; one of each type of plans includes a high-deductible option. State health benefit plans are self-funded by the state, and administered by Kaiser Permanente and United Healthcare. State employees and state agencies split the cost of health plan premiums with the state agency share set annually through the annual budget process.

Assumptions

At this time, it is unknown exactly what rules and conditions will be set for local government participation in the state employee health plans. Further, it is unknown how many local governments will choose to participate. In discussing the potential fiscal impact of this bill, the fiscal note assumes that the per capita cost to enroll local government employees will be the same as for state employees, and that local government employers will pay the same percentage of costs as the state currently pays for its employees. Further, it is assumed that health plan premiums will be paid by local governments directly to health plan administrators, rather than passed through the DPA. It is assumed that DPA may recoup some or all of its administrative costs through payments from local governments agreed to under the intergovernmental agreement.

State Revenue

The bill potentially increases cash fund revenue to the DPA starting in FY 2017-18 from local government payments under intergovernmental agreements to cover any administrative, actuarial, or computer system costs in the DPA related to the local governments participation in the state health plans. The amount of revenue will depend on the number of participating local governments and the terms of agreements with the DPA and cannot be estimated at this time.

TABOR Impact

This bill potentially increases state cash fund revenue from local government payments, which will increase the amount of money required to be refunded under TABOR for FY 2017-18 and FY 2018-19. TABOR refunds are paid out of the General Fund. Since the bill increases the TABOR refund obligation without a corresponding change in General Fund revenue, the amount of money available in the General Fund for the budget will decrease by an identical amount.

State Expenditures

The bill potentially increase workload and costs for the DPA and other state agencies starting in FY 2017-18.

The DPA will have workload to establish rules for local government participation in state health plans and to negotiate agreements with local governments. Once an agreement is entered, there may be workload and costs to track local government employees eligible for participating in the state plan, either through data sharing from local governments or providing local governments access to the state personnel system to input eligible employees. The DPA will also have additional costs for actuarial analysis to analyze how local government participation affects premiums for state health plans. The level of workload and costs will depend on the number of participating local governments. It is assumed that the DPA can establish rules for local government participation and begin discussions with local governments about participation within existing appropriations. Should additional appropriations be required to facilitate local government participation in state health plans, it is assumed that additional funding will be requested through the annual budget process once additional detail about the number of participating local governments and their financial contributions toward administration of the agreements are known.

In addition, the bill may increase health benefit premiums paid by all other state agencies, which could increase costs from the General Fund, various cash funds, and federal funds. Assuming local governments pay the same premiums as state employees, premium costs could increase if the local government employees have higher health care costs compared with state employees. It is assumed that any adjustments to health plan costs will be address through the annual budget process, if required. Should local government participation negatively impact premiums for other state agencies, the state personnel director could choose to end the participation of a specific local government or require additional financial contributions by a local government under its agreement.

Local Government and Statutory Public Entity Impact

The bill creates a new voluntary health benefit plan option for local governments and certain statutory public entities that are classified as subdivisions of the state. Participation in the state employee health plan may either increase or decrease costs for participating local governments depending on the costs of existing health plan options available to the local government. While the exact impact on local governments cannot be estimated, it is assumed that local governments will only choose to participate in a state health plan if it is cheaper or provides higher quality than the existing health plan options.

Effective Date

The bill was postponed indefinitely by the Senate State, Veterans, and Military Affairs Committee on May 3, 2017.

State and Local Government Contacts

Counties	Education	Information Technology
Law	Municipalities	Personnel
School Districts	Special Districts	