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HB 18-1205

FINAL FISCAL NOTE

Drafting Number: LLS 18-0754 Date: August 15, 2018
Prime Sponsors: Rep. Roberts Bill Status: Postponed Indefinitely
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Bill Topic: FINANCIAL RELIEF DEFRAID INDIVIDUAL HEALTH PLAN COSTS

- Summary of Fiscal Impact: State Revenue, State Expenditure, State Transfer, TABOR Refund, Local Government, Statutory Public Entity

This bill would have created a financial assistance program for individuals and families purchasing health insurance through Connect for Health Colorado in high-cost areas of the state. It would have increased state expenditures in FY 2018-19 and potentially FY 2019-20. Connect for Health Colorado and counties would also have had increased workload and costs through FY 2019-20.

Appropriation Summary: For FY 2018-19, the bill would have required an appropriation of up to \$6.0 million to the Department of Health Care Policy and Financing.

Fiscal Note Status: The fiscal note reflects the introduced bill. This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

Table 1 State Fiscal Impacts Under HB 18-1205

Table with 3 columns: Category, FY 2018-19, FY 2019-20. Rows include Revenue, Expenditures (General Fund), and Transfers.

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) guidelines;
- have insurance premiums greater than 20 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 an affordable, employer-sponsored health insurance plan.

The bill limits the total amount of assistance provided through the program to \$6.0 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 20 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, 2018, through December 31, 2019, or until \$6.0 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, 2018. The state assistance program under the bill is repealed if Congress enacts and the President signs legislation to repeal the advanced premium tax credit subsidies under the federal Affordable Care Act.

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 2017, approximately 180,000 individuals were covered through a health plan purchased through Connect for Health Colorado. Of this amount, 63 percent were eligible for federal tax subsidies.

Data and Assumptions

For 2018, approximately 185,000 individuals are expected to enroll in a health plan through Connect for Health Colorado, of which 70,000 individuals are estimated to not be eligible for federal tax subsidies and to have income greater than 400 percent of the FPL. Based on census and other demographic data, approximately 22,000 enrolled individuals are estimated to have income between 400 and 500 percent of the FPL, of which about 4,000 are estimated to live in the three high cost regions of the state and potentially be eligible for financial assistance under the bill. It is assumed that insurance rating areas 5 (Mesa County), 8 (Eastern Regions), and 9 (Western Region) will be the areas in which the program will operate.

Utilization. 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 Colorado 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 **\$17,731 per year** since the lowest cost bronze plan available in that area is \$30,931.

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 **\$1,731 per year** since insurance premiums are less expensive for younger individuals, estimated at \$14,931 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 \$3,000 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 \$4,500 per person, per year.

State Expenditures

This bill is estimated to increase General Fund expenditures by up to \$6.0 million in FY 2018-19 only. Program expenditures are projected to reach the maximum allowable amount by the end of FY 2018-19. In the event that the \$6.0 million cap is not reached in FY 2018-19, financial assistance under the program will continue into FY 2019-20. 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 disburse 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 assistance program will spend the maximum allowable amount of \$6.0 million before the end of FY 2018-19. 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 \$7.8 million in FY 2018-19 and \$3.9 million in FY 2019-20. The estimated unrestricted costs in FY 2019-20 reflect a half-year impact through the December 31, 2019, end date of the program. Table 2 shows the estimated unrestricted costs of insurance subsidies under the bill.

Table 2
Unrestricted Expenditures Under HB 18-1205

	FY 2018-19	FY 2019-20 <i>(Half-year impact)</i>
Department of Health Care Policy and Financing		
Subsidies for Current Enrollees (2,000 x \$3,000)	\$6,000,000	\$3,000,000
Subsidies for New Enrollees (400 x \$4,500)	\$1,800,000	\$900,000
Total	\$7,800,000	\$3,900,000

* Expenditures under the bill are limited to a total of no more than \$6.0 million; these amounts represent the potential costs of the program if it were not capped under the bill.

Statutory Public Entity

Connect for Health Colorado will have additional workload and costs starting in the current FY 2017-18 to implement this bill, as described below.

Enrollment and eligibility determination. Connect for Health Colorado will have additional workload starting in the current FY 2017-18 to establish program rules for the financial assistance program and to hold a special open enrollment period in June and July 2018. 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 Colorado 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 have costs of approximately \$160,000 in current FY 2017-18 to make updates to its website and eligibility determination tools. Concerning the website, it must provide information about the financial assistance program, the special open enrollment period, required documentation, and the process for receiving a subsidy through Connect for Health Colorado or the enrollee's county. The online shopping tools will need to be updated so that the system can determine eligibility for subsidies under the bill based on data input by users.

Distribution of financial assistance. Connect for Health Colorado will be allocated up to \$6.0 million from the Department of Health Care Policy and Financing in FY 2018-19, based on the estimates described in the State Expenditure section above. This money will be disbursed as financial assistance to eligible enrollees or to counties, who will then pass the assistance to enrollees in their jurisdiction.

Local Government

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

This bill was postponed indefinitely by the Senate State, Veterans, and Military Affairs Committee on May 3, 2018.

State Appropriations

For FY 2018-19, the bill requires a General Fund appropriation of up to \$6.0 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