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REVISED FISCAL NOTE

(replaces fiscal note dated March 20, 2019)

Drafting Number: LLS 19-0662 Date: March 26, 2019
Prime Sponsors: Rep. Sirota; Jaquez Lewis Bill Status: House Health & Insurance
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Bill Topic: HEALTH CARE COST SAVINGS ACT OF 2019

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

The bill creates a task force to study and compare three methods of financing health care in Colorado. The task force must hire a contractor to conduct an analysis and report to the General Assembly by September 1, 2021. The bill increases state expenditures from FY 2019-20 through FY 2021-22, and may increase state revenue from gifts, grants, and donations.

Appropriation Summary: For FY 2019-20, the bill requires General Fund appropriations of \$186,131 to the Department of Health Care Policy and Financing and \$7,351 to the Legislative Department.

Fiscal Note Status: This fiscal note is provided pursuant to Joint Rule 22 (b) (2) and reflects strike-below Amendment L.002. The initial, preliminary fiscal note has been updated to reflect new information and assumptions.

Table 1 State Fiscal Impacts Under HB 19-1176

Table with 5 columns: Revenue/Expenditures/Transfers/TABOR Refund, Total, FY 2019-20, FY 2020-21, FY 2021-22. Rows include Revenue, Expenditures (General Fund, Centrally Appropriated, Total), Total FTE, Transfers, and TABOR Refund.

Summary of Legislation

The bill creates the Health Care Cost Analysis Task Force in the Department of Health Care Policy and Financing (HCPF) to analyze and compare methods of financing health care in Colorado. The task force consists of 17 members, as specified by the bill, including legislators, gubernatorial appointees, and executive branch officials. The task force must select a contract analyst to provide a detailed analysis of the following health care financing systems:

- the current Colorado health care financing system;
- a multi-payer universal health care system in which all residents of Colorado are covered under a plan with a mandated set of benefits that is publicly and privately funded and also paid for by employer and employee contributions; and
- a publicly financed and privately delivered universal health care system that directly compensates providers.

Before preparing the analysis, the analyst must host at least three stakeholder meetings to determine the methodology to be used in the study. The analysis must model funding systems for each system studied, including options financed with General Fund, federal funds, and various state taxes, as listed by the bill. Among other things, each analysis may include:

- the first, second, fifth, and tenth year costs;
- the number of uninsured, underinsured, and at-risk insured individuals;
- health expenditures by payer, including coinsurance, deductibles, and copayments;
- analyses of provider payments and rates;
- a description of how the system provides certain health services, as listed in the bill; and
- a review of existing literature regarding the certain collateral costs to society of high health care costs.

The actions required by the bill are to be completed by the dates listed as follows:

- September 1, 2019, the members of the task force will be appointed;
- October 1, 2019, the task force will issue a competitive solicitation to select an analyst;
- January 1, 2021, the task force will submit a preliminary report to the General Assembly outlining the analyst's methodology for the study; and
- September 1, 2021, the task force will deliver to the General Assembly a final report of the task force's findings received from the analyst.

Task force members may be reimbursed for expenses incurred in performing their duties. The task force is repealed September 1, 2022.

State Revenue

HCPF and the task force may utilize gifts, grants, or donations for the purposes of the study. No revenue source has been identified at this time.

State Expenditures

This bill will increase state General Fund expenditures by \$207,936 and 0.9 FTE in FY 2019-20, \$421,063 and 1.0 FTE in FY 2020-21, and \$128,776 and 0.3 FTE in FY 2021-22. These costs are shown in Table 2 and described below.

**Table 2
 Expenditures Under HB 19-1176**

Cost Components	FY 2019-20	FY 2020-21	FY 2021-22
Dept. of Health Care Policy and Financing			
Personal Services	\$70,278	\$76,667	\$19,166
Operating Expenses and Capital Outlay Costs	\$5,653	\$950	\$285
Task Force Reimbursement - non-legislative members	\$5,200	\$5,200	-
Contract Analyst	\$105,000	\$315,000	\$105,000
Centrally Appropriated Costs*	\$14,137	\$15,578	\$4,325
FTE – Personal Services	0.9 FTE	1.0 FTE	0.3 FTE
HCPF (Subtotal)	\$200,268	\$413,395	\$128,776
Legislative Department			
Legislator Per Diem and Reimbursement	\$7,351	\$7,351	-
Centrally Appropriated Costs*	\$317	\$317	-
Legislative Department (Subtotal)	\$7,668	\$7,668	
Total	\$207,936	\$421,063	\$128,776
Total FTE	0.9 FTE	1.0 FTE	0.3 FTE

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

Health Care Policy and Financing. The task force is housed within HCPF. Costs will include a contract analyst, staff support for the task force and analyst, and reimbursements for members of the task force.

Contract analyst. The bill requires a contract analyst to prepare a detailed analysis of at least three health care financing models. The bill specifies certain components that each analysis may contain. Based on recent health care studies of comparable scope, the fiscal note estimates that the final report will require up to 3,000 hours of consulting at a rate of \$175 per hour (up to \$525,000). Work will begin in FY 2019-20 after the task force is assembled and conclude in FY 2021-22 when the final report is submitted to the General Assembly. It is assumed that the majority (60 percent) of contractor costs will be incurred in FY 2020-21, as shown in Table 2. The hourly cost is a blended rate consisting of a team of contract staff that include a project manager, actuary, research analyst, and business analyst. The analyst is required to host at least three stakeholder meetings to determine a methodology to be used in the study; the fiscal note assumes that these meetings and the methodology report can be accomplished within the total allocation of contractor hours and with support from staff hired for this project.

While the bill specifies a list of components that *may* be included in the analysis, it does not require that each component be included. The costs presented here are an estimate of what is necessary to complete all components of the analysis. Should the General Assembly, at its discretion, appropriate less than this full amount, the analyst may be unable to complete all components and the task force will need to provide direction to the analyst regarding which aspects should be prioritized.

Staffing. The task force will require staff in order to support the contract analyst and coordinate the activity of the task force. This work will include assisting in the procurement of a contract analyst, facilitating task force meetings, responding to the analyst's data inquiries, providing information about the state's current health care financing system, and preparing two reports for the General Assembly. This work can be accomplished with 1.0 FTE, prorated to reflect the General Fund paydate shift in FY 2019-20 and a quarter year impact in FY 2021-22.

Task force reimbursements. The fiscal note assumes that the task force will meet approximately 8 times per year in FY 2019-20 and FY 2021-21. The 13 non-legislative members of the task force will be reimbursed for travel, lodging, and meals at an estimated \$400 each per year, for a total of \$5,200 each year.

Legislative Department. Members of the General Assembly will receive a per diem of \$110.73 and will be reimbursed for travel costs of \$119 per meeting. Estimated reimbursements total \$7,351 per year.

Other state agencies. The task force will include the Executive Directors of the Department of Human Services, Public Health and Environment, and HCPF, and the Commissioner of Insurance in the Department of Regulatory Agencies, or their designees. Reimbursements will be financed by HCPF. The fiscal note assumes that any other expenditures related to participation in the task force will be minimal.

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 \$14,454 in FY 2019-20, \$15,895 in FY 2020-21, and \$4,325 in FY 2021-22.

Statutory Public Entity

The CEO of the Connect for Health Colorado, the state's health benefit exchange, or their designee, will serve on the task force. As with state agencies, it is assumed that any workload or cost for this purpose will be minimal.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2019-20, the bill requires the following General Fund appropriations:

- \$186,131 to the Department of Health Care Policy and Financing, and an allocation of 0.9 FTE; and
- \$7,351 to the Legislative Department for member reimbursement and per diem.

Department Difference

HCPF estimates that it will have costs of \$457,992 and 1.3 FTE in FY 2019-20, \$460,636 and 1.5 FTE in FY 2020-21, \$86,823 and 1.5 FTE in FY 2021-22, and \$21,498 and 0.3 FTE in FY 2022-23 to implement the bill. This estimate includes 1.5 FTE of staff support from September 1, 2021, when the final report is submitted to the General Assembly, until September 1, 2022, when the task force is repealed. The fiscal note includes staff support until the final report is submit, but assumes that no additional staff will be needed beyond this point, noting that the task force has the authority to secure grant funding if additional staff is desired. The HCPF estimate includes a total of 4,175 contractor hours to design the stakeholder process and methodology report, conduct meetings, synthesize stakeholder feedback, write the methodology report (1,125 hours for these tasks), and write the final report (3,050 hours), with contractor costs divided evenly between FY 2019-20 and FY 2020-21 and roll-forward authority of unexpended funds in year one to year two. The fiscal note assumes that the three stakeholder meetings and methodology report can be accomplished within the 3,000 hours allocated for the report with help from the 1.0 FTE of staff support included in the fiscal note. Also, the fiscal note assumes that no more than 20% of contractor costs will be needed in FY 2019-20.

State and Local Government Contacts

Connect for Health Colorado	Human Services	Law
Public Health and Environment	Information Technology	Counties
Health Care Policy and Financing	Regulatory Agencies	Governor