



Legislative Council Staff
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Final Fiscal Note

Drafting Number: LLS 22-0719
Prime Sponsors: Rep. Baisley

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Bill Status: Postponed Indefinitely
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Bill Topic: MEDICAL EXPENSE SHARING PROGRAM REQUIREMENTS

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

The bill would have established requirements for medical expense sharing programs, provided the Attorney General with oversight and enforcement authority, and exempted medical expense sharing programs from insurance laws and rules. The bill would have increased state revenue and expenditures and local government expenditures beginning in FY 2022-23.

Appropriation Summary: For FY 2022-23, the bill would have required an appropriation of \$7,543 to the Department of Law.

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 22-1198

Table with 4 columns: Category, Sub-category, Budget Year FY 2022-23, and Out Year FY 2023-24. Rows include Revenue (General Fund, Total Revenue), Expenditures (General Fund, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and Other Budget Impacts (TABOR Refund, General Fund Reserve).

Summary of Legislation

The bill establishes requirements for organizations operating medical expense sharing programs (programs), provides the Attorney General with oversight and enforcement authority of the programs, and exempts the programs from state insurance regulations.

The bill requires that programs:

- provide written notice to both members and healthcare providers that it is not an insurance company, and that individuals are responsible for the payment of their own medical bills;
- confirm that applicants agree to the terms and conditions of the program;
- make certain financial information available to each member; and
- post specific information including contact information, member forms, program guidelines, and financial disclosures on its website.

If the program identifies as a non-profit under the federal tax code, it is prohibited from engaging in excess benefit transactions.

The bill requires the Attorney General to facilitate the annual filing process for each program's website link, and allows the imposition of a filing fee not to exceed \$100. The Attorney General is allowed to enforce the requirements outlined in the bill, provide notice of non-compliance, and impose an administrative penalty for each day that the violation continued after receipt of the notice.

Enforcement of the bill must take place in a manner that least burdens the religious exercise of any religious organization operating a program, or an individual member of the program.

Assumptions

The fiscal note assumes that the bill will generate 60 filings per fiscal year with the Department of Law.

State Revenue

This bill will increase revenue in the Department of Law by at least \$6,000 each year from website link filing fees and administrative penalties, which are subject to TABOR. Because no cash fund is identified, the fiscal note assumes fees will be deposited into the General Fund.

Fee impact on medical expense sharing programs. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. These fee amounts are estimates only, actual fees will be set administratively by the Department of Law based on estimated program costs, and the estimated number of programs subject to the fee. Table 2 below identifies the fee impact of this bill assuming the maximum fee of \$100.

**Table 2
Fee Impact on Medical Expense Sharing Programs**

Fiscal Year	Type of Fee	Proposed Fee	Number Affected	Total Fee Impact
FY 2022-23	Filing fee	\$100	60	\$6,000
FY 2023-24	Filing fee	\$100	60	\$6,000

State Expenditures

The bill increases state expenditures in the Department of Law by \$9,222 in FY 2022-23 and \$14,333 in FY 2023-24 from the General Fund. Expenditures are shown in Table 2 and detailed below.

**Table 3
Expenditures Under HB 22-1198**

	FY 2022-23	FY 2023-24
Department of Law		
Personal Services	\$7,543	\$11,315
Centrally Appropriated Costs ¹	\$1,679	\$3,018
Total Cost	\$9,222	\$14,333
Total FTE	0.2 FTE	0.2 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Department of Law. Beginning in FY 2022-23, the Department of Law requires 0.2 FTE to communicate with programs, receive website link filings and take enforcement actions. It is assumed that the position will be hired at a salary higher than the minimum starting salary, that General Funds will be required to support the activities of the department, and that any revenue from filing fees and administrative penalties will be minimal. Costs are adjusted for an October 1, 2022, start date and the General Fund pay date shift. To the extent that enforcement of the requirements under the bill requires additional resources, this will be addressed through the annual budget process.

Department of Regulatory Agencies. This fiscal note assumes that the Department of Regulatory Agencies will receive a negligible number of complaints in addition to complaints already received related to medical expense sharing programs, and that any increase in workload can be addressed within existing resources.

District court. Workload may increase in Denver district court to consider orders or penalties for violations. As the number of violations elevated to the court is expected to be small, any fiscal impact is expected to 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 shown in Table 3.

Other Budget Impacts

TABOR refunds. The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the March 2022 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2023-24. Because TABOR refunds are paid from the General Fund, increased General Fund revenue will increase the TABOR refund obligation, but result in no net change to the amount of General Fund available to spend or save.

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve beginning in FY 2022-23. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by \$1,131 in FY 2022-23 and \$1,697 in FY 2023-24, which will decrease the amount of General Fund available for other purposes.

Effective Date

The bill was postponed indefinitely by the House Health and Insurance Committee on April 1, 2022.

State Appropriations

For FY 2022-23, the bill requires a General Fund appropriation of \$7,543 to the Department of Law and 0.2 FTE.

State and Local Government Contacts

Health Care Policy and Financing
Law

Information Technology
Regulatory Agencies