



Legislative Council Staff *Nonpartisan Services for Colorado's Legislature*

Fiscal Note

Drafting Number: LLS 22-0020 **Date:** April 11, 2022
Prime Sponsors: Rep. Kennedy; Caraveo **Bill Status:** House Health & Insurance
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Bill Topic: **PRIMARY CARE ALTERNATIVE PAYMENT MODELS**

Summary of Fiscal Impact:

| | |
|---|--|
| <input type="checkbox"/> State Revenue | <input type="checkbox"/> TABOR Refund |
| <input checked="" type="checkbox"/> State Expenditure | <input type="checkbox"/> Local Government |
| <input type="checkbox"/> State Transfer | <input type="checkbox"/> Statutory Public Entity |

The bill requires the Division of Insurance in the Department of Regulatory Agencies to create, implement, and evaluate standards around the use of valued-based payments in the health insurance system. The bill will increase state expenditures beginning in FY 2022-23.

Appropriation Summary: For FY 2022-23, the bill requires an appropriation of \$56,328 to the Department of Personnel and Administration.

Fiscal Note Status: The fiscal note reflects the introduced bill.

**Table 1
State Fiscal Impacts Under HB 22-1325**

| | | Budget Year FY 2022-23 | Out Year FY 2023-24 |
|-----------------------------|---------------------------|-----------------------------------|--------------------------------|
| Revenue | | - | - |
| Expenditures | General Fund | \$56,328 | \$329,171 |
| | Centrally Appropriated | \$11,411 | \$16,618 |
| | Total Expenditures | \$67,739 | \$345,789 |
| | Total FTE | 0.7 FTE | 1.0 FTE |
| Transfers | | - | - |
| Other Budget Impacts | General Fund Reserve | \$8,449 | \$49,376 |

Summary of Legislation

The bill requires the Division of Insurance within the Department of Regulatory Agencies (DORA), in coordination with the Department of Health Care Policy and Financing (HCPF), the Department of Personnel and Administration (DPA) and the representatives of the Primary Care Payment Reform Collaborative (collaborative), as applicable, to create, implement, and evaluate standards, and promulgate rules around, the use of value-based payments in the health insurance system. Among its provisions, the bill requires the Division of Insurance to:

- develop alternative payment model parameters by rule for primary care in the commercial health insurance market, with rules establishing an aligned quality measure set to be used by all carriers.;
- establish an aligned approach to value-based payment across private payers and public payers and that incorporates the established alternative payment model parameters;
- annually consider the recommendations of the collaborative on the alternative payment model parameters;
- promulgate rules detailing the requirements for alternative payment model parameters alignment by December 1, 2023;
- develop and update a set of core competencies around whole-person care delivery that must be met by primary care providers to receive practice support provided by the Division of Insurance and other value-based payments provided by a carrier;
- analyze the data and produce a report on aggregated data across all carriers once five years of data is available, and present the findings at a SMART Act hearing; and
- utilize a third-party contractor to design an evaluation plan for the implementation of primary care alternative payment models in the commercial market, and provide technical assistance to carriers.

The bill requires the collaborative to review the alternative payment models developed by the division and provide the division with recommendations on the core competencies. The annual reporting deadline for the collaborative is moved to February 15.

Finally, health care plans issued or renewed on or after January 1, 2025, are required to incorporate the alternative payment model parameters, where applicable.

Background

The Primary Care Payment Reform Collaborative focuses on developing strategies for increased investments in the provision of quality primary care and advises in the development of affordability standards and targets for carrier investments in primary care. Created under [House Bill 19-1233](#) and convened by the Division of Insurance, the collaborative has been meeting since July 2019 to develop recommendations aimed at increasing investments in high-quality primary care.

State Expenditures

The bill increases state expenditures by \$67,739 in FY 2022-23 and \$345,789 in FY 2023-24. These costs are in the Department of Personnel and Administration and Department of Health Care Policy and Financing, and will be paid from the General Fund. Expenditures are shown in Table 2. The bill will also increase workload in DORA. These impacts are described below.

**Table 2
 Expenditures Under HB 22-1325**

| Cost Components | FY 2022-23 | FY 2023-24 |
|---|-------------------|-------------------|
| Department of Personnel and Administration | | |
| Personal Services | \$49,048 | \$73,571 |
| Operating Expenses | \$1,080 | \$1,350 |
| Capital Outlay Costs | \$6,200 | - |
| Centrally Appropriated Costs ¹ | \$11,411 | \$16,618 |
| FTE – Personal Services | 0.7 FTE | 1.0 FTE |
| DPA Subtotal | \$67,739 | \$91,539 |
| Department of Health Care Policy and Financing | | |
| Technology Costs | - | \$254,250 |
| HCPF Subtotal | - | \$254,250 |
| Total Cost | \$67,739 | \$345,789 |
| Total FTE | 0.7 FTE | 1.0 FTE |

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

Department of Personnel and Administration. The DPA participates in the Alternative Payment Model Multi-payer Alignment Workgroup and is currently working to integrate alternate payment models into the state's benefit structure. Beginning in FY 2022-23, the DPA will require an additional 1.0 FTE to meet with vendors, analyze reports, audits and recommendations, coordinate vendor marketing campaigns, reconcile invoices against enrollment and claims trends to make recommendations, and review documents. FTE and costs are prorated to account for an October 1, 2022 start date and the General Fund payday shift.

Department of Health Care Policy and Financing. In FY 2023-24, HCPF will contract with the Center for Improving Value in Healthcare (CIVHC), the all payer claims database (APCD) administrator, to develop an aligned quality measure set report in the APCD. This work is expected to cost about \$254,000 and be paid from the General Fund and not eligible for federal matching funds. Beginning in FY 2023-24 and on an annual basis, CIVHC will complete any needed updates and provide a report.

Department of Regulatory Agencies. The Division of Insurance is currently engaged in work focused on investments in, and multi-payer alignment related to, alternate payment models, including facilitation of the collaborative, and has received an appropriation for this work through FY 2023-24 so does not require an increase in appropriations. Under the bill, the division will have an increase in workload to develop the required quality measures, research current industry practices, and conduct stakeholder engagement.

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 2.

Other Budget Impacts

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 \$8,449 in FY 2022-23 and \$49,374 in FY 2023-24, which will decrease the amount of General Fund available for other purposes.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2022-23, the bill requires an appropriation of \$56,328 from the General Fund to the Department of Personnel and Administration, and 0.7 FTE.

State and Local Government Contacts

Health Care Policy and Financing
Law
Public Health and Environment

Information Technology
Personnel
Regulatory Agencies