



**Colorado  
Legislative  
Council  
Staff**

**HB17-1235**

**FISCAL NOTE**

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

**Drafting Number:** LLS 17-0800 **Date:** March 28, 2017  
**Prime Sponsor(s):** Rep. Mitsch Bush; Hamner **Bill Status:** House Health, Insurance, and Environment  
 Sen. Coram; Crowder **Fiscal Analyst:** Bill Zepernick (303-866-4777)

**BILL TOPIC:** FINANCIAL RELIEF DEFRAID INDIVIDUAL HEALTH PLAN COST

Fiscal Impact Summary	FY 2016-17 <i>(current year)</i>	FY 2017-2018	FY 2018-2019
<b>State Revenue</b>			
<b>State Expenditures*</b>		<b>\$13.2 million</b>	<b>\$6.6 million</b>
General Fund	Workload increase.	13.2 million	6.6 million
<b>Appropriation Required:</b> \$13.2 million - Connect for Health Colorado (FY 2017-18).			
<b>Future Year Impacts:</b> None.			

\* State expenditures includes impacts for Connect for Health Colorado.

**Summary of Legislation**

This 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);
- have insurance premiums greater than 15 percent of their household income; and
- do not have access to health coverage through a government program or affordable, employer-sponsored health insurance.

The amount of assistance provided is equal to the costs of the least expensive bronze plan available to the enrollee minus 15 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, 2017, through December 31, 2018. The financial assistance program may be administered by counties. 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, 2017.

**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 2016, 175,000 individuals were covered through a health plan purchased through Connect for Health Colorado. Of this amount, 55 percent were eligible for federal tax subsidies and, in total, \$318 million in federal advanced premium tax credits were provided.

### **Assumptions**

For 2017, approximately 205,000 individuals are expected to enroll in a health plan through Connect for Health Colorado, of which 104,493 individuals are not eligible for federal tax subsidies and are assumed to have income greater than 400 percent of the FPL. Based on county level income and enrollment data, approximately 27,800 enrolled individuals are estimated to have income between 400 and 500 percent of the FPL and may potentially be eligible for financial assistance under the bill. However, 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. Several examples are provided below to illustrate how the subsidy would operate under the bill. Premium cost estimates were taken from the Connect for Health website.

*Arapahoe County - Ages 58.* A family of two, both age 58, in Arapahoe County could purchase the lowest cost bronze health plan at an unsubsidized cost of about \$11,600 per year. If this household had income of \$66,000 (406% of FPL), it would be eligible for a household subsidy under the bill of **\$1,700 per year** based on the cost of insurance premiums (\$11,600) minus 15 percent of income (\$9,900).

*Routt County - Ages 58.* An identical family of two in Routt County with income of \$66,000 per year would receive an annual household subsidy under the bill of **\$12,850 per year** since the lowest cost bronze plan available in that area is \$22,750.

*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 **\$1,600 per year** since insurance premiums are relatively cheaper for younger individuals, estimated at \$11,500 for the household in this example.

**Eligibility and subsidy estimates.** Under the bill, people who are older, have larger household size, live in higher costs areas of the state, and have lower incomes in the allowable income range are more likely to qualify for subsidies and for subsidy amounts that are larger. In contrast, many individuals with higher incomes in the allowable income range and in lower cost areas of the state will not qualify for a subsidy. Some people may qualify for a relatively small subsidy.

Based on the examples above and analysis of income and insurance costs in the nine geographic rating areas of the state, the fiscal note assumes the following:

- about 5,000 currently enrolled individuals will be eligible for subsidies under the bill (approximately 18 percent of the 27,800 current enrollees estimated to have incomes between 400 and 500 percent of the FPL);

- currently enrolled individuals will receive an average subsidy of \$2,000 per person, per year;
- an additional 1,000 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 \$3,200 per person, per year.

### **State Expenditures and Statutory Public Entity Impact**

Based on the assumptions above, the bill is expected to increase state General Fund expenditures, which are appropriated to Connect for Health Colorado, by **\$13.2 million in FY 2017-18 and by \$6.6 million in FY 2018-19**. Costs in FY 2018-19 reflect a half-year of costs through December 31, 2018. These costs and other impacts of the bill are discussed below.

**Financial assistance.** Table 1 shows the estimated costs of insurance subsidies under the bill. This money will be appropriated to Connect for Health Colorado and then allocated to counties to disperse to eligible individuals if a county chooses to operate an assistance program, otherwise, Connect for Health Colorado will distribute the funding directly to eligible individuals.

<b>Cost Components</b>	<b>FY 2017-18</b>	<b>FY 2018-19 (Half-year impact)</b>
Subsidies for Current Enrollees (5,000 x \$2,000)	\$10,000,000	\$5,000,000
Subsidies for New Enrollees (1,000 x \$3,200)	3,200,000	1,600,000
<b>TOTAL</b>	<b>\$13,200,000</b>	<b>\$6,600,000</b>

**Enrollment and eligibility determination.** Connect for Health Colorado will have additional workload starting in the current FY 2016-17 to establish program rules for the financial assistance program and to hold a special open enrollment period in June and July 2017. 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 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 be required to update its website to provide information about the financial assistance program and to alert potentially eligible individuals shopping for or buying health plans that they should contact their county or Connect for Health Colorado to determine their eligibility and required documentation.

### **Local Government Impact**

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**

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

**State Appropriations**

For FY 2017-18, the bill requires a General Fund appropriation of \$13.2 million to Connect for Health Colorado.

**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