



**Colorado
Legislative
Council
Staff**

SB17-151

FISCAL NOTE

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

Drafting Number: LLS 17-0328
Prime Sponsor(s): Sen. Crowder
 Rep. Ginal

Date: February 10, 2017
Bill Status: Senate Business
Fiscal Analyst: Bill Zepernick (303-866-4777)

BILL TOPIC: CONSUMER ACCESS TO HEALTH CARE

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue	<u>\$0</u>	
<i>State Diversions</i>		
General Fund	(\$18,000)	
Cash Funds	18,000	
State Expenditures	<u>\$18,000</u>	Potential increase.
Cash Funds	18,000	See State Expenditures section.
Appropriation Required: \$18,000 - Department of Regulatory Agencies (FY 2017-18).		
Future Year Impacts: Potential ongoing state expenditure increase.		

Summary of Legislation

The bill requires health insurance carriers that conduct credentialing of providers, utilization management, and utilization review to do the following:

1. base health care coverage authorizations and medical necessity determinations on generally accepted and evidence-based standards and criteria of clinical practice;
2. disclose evidence-based standards and criteria of clinical practice and processes to policyholders and providers that the carrier uses for coverage authorizations and medical necessity determinations;
3. ensure that coverage authorizations and medical necessity determinations are performed by a health care provider who is licensed in a similar health field as the requesting provider;
4. categorize a condition as a new episode of care if the same provider has not treated the policyholder for the condition within the previous 30 days; and
5. ensure that tiered prior authorization criteria are based on generally accepted evidence-based standards and criteria.

In addition, the bill prohibits an intermediary from requiring a coverage authorization or medical necessity determination prior to evaluation and management services provided at an initial visit. In addition, a carrier cannot create payment or other incentives for an intermediary to reduce or deny coverage authorizations or medical necessity determinations. Insurance carriers and intermediaries are also prohibited from requiring that a provider participate or be credentialed by a specific carrier or intermediary as a condition of health insurance network participation.

The Division of Insurance in the Department of Regulatory Agencies (DORA) is required to create rules and begin enforcing the provisions of the bill by July 1, 2018. The Division of Insurance must also develop rules for dispute resolution processes for policyholders and providers who have a dispute with an intermediary.

State Revenue

While the bill does not affect overall state revenue, it does result in a diversion of General Fund as described below.

State diversions. This bill diverts \$18,000 from the General Fund in FY 2017-18. This revenue diversion occurs because the bill increases costs in the Division of Insurance in DORA, which is funded with premium tax revenue that would otherwise be credited to the General Fund.

State Expenditures

The bill affects costs in state agencies as described below.

Department of Regulatory Agencies. The bill will result in a one-time cost of \$18,000 in DORA, paid from the Division of Insurance Cash Fund. This cost is based on 500 hours of temporary rate and actuarial staff in the Division of Insurance to conduct stakeholder outreach, develop rules, and review rate plans submitted by insurers in response to the requirements of the bill.

State employee insurance. The various provisions of the bill may contribute to higher health insurance premiums by limiting the ability of health insurers to control costs through health care coverage authorizations, medical necessity determinations, and conditions on health network participation. In addition, the bill imposes stricter evidence-based criteria, disclosure, and staffing requirements concerning coverage authorizations. Increasing these costs for health insurers may impact the costs paid by state agencies for employee health insurance. Because state employee health insurance contributions are based upon prevailing market rates, with costs shared between the employer and employee, this bill is not expected to affect the state's share of employee health insurance premiums until FY 2018-19. Because insurance rates are influenced by a number of variables, the exact effect of this bill cannot be determined. Any increase caused by the bill will be addressed through the total compensation analysis included in the annual budget process.

Local Government Impact

By increasing costs for health insurers, local governments that provide affected health insurance plans to their employees may experience an increase in premiums beginning July 1, 2018.

Effective Date

The bill takes effect August 9, 2017, if the General Assembly adjourns on May 10, 2017, as scheduled, and no referendum petition is filed.

State Appropriations

For FY 2017-18, the bill requires an appropriation of \$18,000 to the Department of Regulatory Agencies from the Division of Insurance Cash Fund.

State and Local Government Contacts

Counties	Health Care Policy and Financing
Human Services	Information Technology
Judicial	Personnel and Administration
Regulatory Agencies	