



Legislative Council Staff

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FISCAL NOTE

Drafting Number:	LLS 18-0425	Date:	January 24, 2018
Prime Sponsors:	Sen. Gardner Rep. Kraft-Tharp	Bill Status:	Senate Business
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Bill Topic: ADD HMOS LIFE & HEALTH INSURANCE PROTECTION ASSOCIATION

Summary of Fiscal Impact:

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

This bills add health maintenance organizations (HMOs) to the Colorado Life and Health Protection Association and makes changes to association assessments and fees. This bill will potentially increase state and local government expenditures, and will increase revenue to the Colorado Life and Health Protection Association, a statutory public entity. These impacts continue in future years.

Appropriation Summary: No appropriation is required.

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

Summary of Legislation

This bill makes several changes to the Colorado Life and Health Protection Association, including:

- adding health maintenance organizations (HMOs) as members of the association and requiring HMOs to pay member assessments;
- allowing the association to collect a fee on members issuing health benefit plans up to \$2 per month per certificate, contract or policy issued; and
- allocating responsibility for long-term care insurance assessments between health and life insurance association members.

The association may collect the health benefit plan fee until the fund balance of its health account reaches \$75 million dollars. The fee may be reinstated by the association if the health account fund balance falls below \$25 million. The bill outlines various other provisions concerning assessments by the association and makes conforming amendments.

Background

All life and health insurers in Colorado are members of the Colorado Life and Health Protection Association, which is a nonprofit statutory entity under Colorado law. In the event an insurer is impaired or insolvent, the association may impose an assessment on member insurers in order to pay the costs of outstanding claims against the impaired or insolvent insurer. The association is governed by a board of directors and overseen by the Commissioner of Insurance.

State Expenditures

The bill potentially increases state workload and costs in two main areas, as described below.

State employee health insurance. First, adding HMOs to the association and charging a fee per member will potentially increase state employee health insurance costs. Costs to state agencies may increase for state employees using the available HMO health benefit plans. 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 2019-20. Because insurance rates are influenced by a number of variables, the exact impact on premiums cannot be estimated. Any increase caused by the bill will be addressed through the total compensation analysis included in the annual budget process

Division of Insurance. The Division of Insurance in the Department of Regulatory Agencies may have a one-time increase in workload to update rules and communicate the changes with covered life and health insurers. No change in appropriations is required.

Statutory Public Entity

The bill increases revenue to the Colorado Life and Health Protection Association by approximately \$10 million per year starting, assuming the association establishes a \$2 per month fee. At the same time, this regular source of recurring revenue will decrease the frequency and amount of revenue collected through special assessments imposed when a member insurer becomes impaired or insolvent. Collection of the assessment fee will cease in future years if the association's health account fund balance surpasses \$75 million.

Local Government

Similar to the state expenditure impacts discussed above, local governments that offer HMO plans to their employees may have increased costs. These costs will depend on the number of employees enrolled in these types of health benefit plans, how premiums are split between local governments and employees, and how the cost of the fee is passed on to policyholders through increased premiums.

Effective Date

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

State and Local Government Contacts

Colorado Health Benefit Exchange
Information Technology
Personnel

Health Care Policy and Financing
Law
Regulatory Agencies