

**JBC STAFF FISCAL ANALYSIS
SENATE APPROPRIATIONS COMMITTEE**

CONCERNING MEASURES TO ADDRESS THE AFFORDABILITY OF HEALTH INSURANCE FOR COLORADANS PURCHASING COVERAGE ON THE INDIVIDUAL MARKET, AND, IN CONNECTION THEREWITH, ESTABLISHING AN ENTERPRISE TO ADMINISTER A HEALTH INSURANCE AFFORDABILITY FEE ASSESSED ON CERTAIN HEALTH INSURERS AND A SPECIAL ASSESSMENT ON HOSPITALS TO FUND MEASURES TO REDUCE CONSUMER COSTS FOR INDIVIDUAL HEALTH COVERAGE PLANS.

Prime Sponsors: Sens. Moreno and Donovan
Reps. Kennedy and McCluskie

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Phone: 303-866-4952
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Appropriation Items of Note

Appropriation Not Required, No Amendment in Packet

General Fund/TABOR Impact

New Cash Fund (with Continuous Appropriation)

Fiscal Impact of Bill as Amended to Date

The most recent Legislative Council Staff Revised Fiscal Note (attached) reflects the fiscal impact of the bill as of 06/05/2020.

XXX	No Change: Attached LCS Fiscal Note accurately reflects the fiscal impact of the bill
	Update: Fiscal impact has changed due to <i>new information or technical issues</i>
	Update: Fiscal impact has changed due to <i>amendment adopted</i> after LCS Fiscal Note was prepared
	Non-Concurrence: JBC Staff and Legislative Council Staff disagree about the fiscal impact of the bill

Amendments in This Packet for Consideration by Appropriations Committee

Amendment	Description
None	

Current Appropriations Clause in Bill

The bill neither requires nor contains an appropriation clause for FY 2020-21.

Points to Consider*General Fund Impact*

The Joint Budget Committee has proposed a budget package for FY 2020-21 based on the following:

- the May 12, 2020, Office of State Planning and Budgeting revenue forecast;
- a school finance bill placeholder for a reduction of \$723.8 million General Fund;
- a placeholder for the reduction of \$202.0 million General Fund through one or more non-JBC package bills; and
- an adjusted statutory General Fund reserve percentage of 3.84 percent equal to \$402.0 million.

This bill is anticipated to decrease diversions from the General Fund by \$15.0 million in FY 2019-20 and \$40.0 million in FY 2020-21. The net General Fund savings of \$55.0 million over the two years will increase the excess General Fund reserve or decrease the proposed placeholder reductions by the same amount.

Legislative Authority

Is it necessary to "continuously appropriate" money in the Health Insurance Affordability Cash Fund? This method of funding essentially moves related expenditures off-budget, and thus expenditures are not reported or accounted for through the budget process.

For example, the bill allows the Health Insurance Affordability Enterprise to spend up to three percent of the annual revenue to the Health Insurance Affordability Cash Fund on administration. This amounts to a projected \$3.1 million in FY 20-21 and grows to a projected \$4.5 million by FY 22-23. The Division of Insurance is currently appropriated approximately \$1.1 million annually for administration of the reinsurance program. The Appropriations Committee may want to consider making the expenditures for administration subject to annual appropriation by the General Assembly.

Additional Background

The bill includes a cascading ("waterfall") allocation of the revenue to the Health Insurance Affordability Cash Fund that is not detailed in the Legislative Council Staff Revised Fiscal Note dated 06/05/2020. The allocation is different in year 1, year 2, and then year 3 and beyond. The table below summarizes the statutory allowable allocations and the estimated expenditures, provided by the Division of Insurance, within the allowable allocations.

Health Insurance Affordability Cash Fund Allocations						
	CY 2021		CY 2022		CY 2023	
	Allocation	Est. Dollars	Allocation	Est. Dollars	Allocation	Est. Dollars
Projected Revenue						
Insurance premium taxes		\$0		\$0		\$10,100,000
Hospital special fee		0		20,000,000		20,000,000
Health Insurance Affordability Fee		104,700,000		115,200,000		120,900,000
TOTAL Projected Revenue		\$104,700,000		\$135,200,000		\$151,000,000
Projected Allocations						
Administration (1)(b)(IV)	up to 3%	\$3,141,000	up to 3%	\$4,056,000	up to 3%	\$4,530,000
Qualified individuals ¹	none	0	30% of remainder	12,343,200	\$15 M + remainder	41,370,000
Reinsurance payments	up to \$90M	90,000,000	Exactly \$90M	90,000,000	up to 75% or \$90 M	90,000,000
Tax credit recipients	up to 10% of total	1,047,000	70% of remainder	28,800,800	up to 10%	15,100,000
Outreach & Education (1)(b)(V)	remainder	10,512,000	none	0	none	0
TOTAL Allocations		\$104,700,000		\$135,200,000		\$151,000,000

¹ <300% of federal poverty guidelines; ineligible for tax credits, Medicaid, Medicare, or CHP+; and purchasing through the exchange