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Fiscal Note

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| Drafting Number: | LLS 23-0740 | Date: | February 27, 2023 |
| Prime Sponsors: | Rep. Ortiz; Hartsook Sen. Winter F.; Liston | Bill Status: | House Health & Insurance |
| | | Fiscal Analyst: | Kristine McLaughlin 303-866-4776 kristine.mclaughlin@coleg.gov |

Bill Topic: **PROSTHETIC DEVICES FOR RECREATIONAL ACTIVITY**

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|----------------------------------|---|--|
| 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 state-regulated insurance plans to cover an alternative prosthetic limb if the patient is under 26 and their physician determines that it will maximize upper limb functions. The bill increases state expenditure on an ongoing basis beginning in FY 2023-24.

Appropriation Summary: For FY 2023-24, the bill requires an appropriation of \$6,108 to the Department of Regulatory Agencies.

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

Table 1
State Fiscal Impacts Under HB 23-1136

| | | Budget Year FY 2023-24 | Out Year FY 2024-25 | Out Year FY 2025-26 | Out Year FY 2026-27 |
|---------------------|---------------------------|---------------------------|------------------------|------------------------|------------------------|
| Revenue | | - | - | - | - |
| Expenditures | General Fund | - | \$2,230 | \$4,460 | \$4,460 |
| | Cash Funds | \$6,108 | \$952 | \$13,398 | \$24,890 |
| | Federal Funds | - | \$5,910 | \$115,257 | \$218,693 |
| | Central. Approp. | \$1,674 | - | - | - |
| | Total Expenditures | \$7,782 | \$9,092 | \$133,115 | \$248,044 |
| | Total FTE | 0.1 FTE | - | - | - |
| Diversions | General Fund | (\$7,782) | - | - | - |
| | Cash Funds | \$7,782 | - | - | - |
| | Net Diversion | \$0 | - | - | - |
| Other Budget | GF Reserve | - | \$335 | \$669 | \$669 |

Summary of Legislation

The bill requires state-regulated insurance plans to cover an alternative prosthetic limb if the patient is under 26 and their physician determines that it will maximize upper limb functions beginning January 1, 2025.

The bill requires the Division of Insurance to submit to the federal government a determination as to whether the additional benefit requires the state to defray the cost.

State Diversion

This bill diverts \$7,782 from the General Fund in FY 2023-24. This revenue diversion occurs because the bill increases costs in the Department of Regulatory Agencies, Division of Insurance, which is funded with premium tax revenue that would otherwise be credited to the General Fund.

State Expenditures

The bill increases state expenditures in the Department of Regulatory Agencies (DORA) by about \$8,000 in FY 2023-24, and in the Department of Health Care Policy and Financing (HCPF) by about \$9,000 in FY 2024-25, \$133,000 in FY 2025-26, and \$248,000 in FY 2026-27 and ongoing. Expenditures are shown in Table 2 and detailed below.

Table 2
Expenditures Under HB 23-1136

| | Budget Year FY 2023-24 | Out Year FY 2024-25 | Out Year FY 2025-26 | Out Year FY 2026-27 |
|---|---------------------------|------------------------|------------------------|------------------------|
| Department of Regulatory Agencies | | | | |
| Personal Services | \$6,108 | - | - | - |
| Centrally Appropriated Costs ¹ | \$1,674 | - | - | - |
| FTE – Personal Services | 0.1 FTE | - | - | - |
| DORA Subtotal | \$7,782 | - | - | - |
| Department of Health Care Policy and Financing | | | | |
| CHP+ Impact | - | \$9,092 | \$18,186 | \$18,186 |
| Medicaid Impact | - | - | \$114,929 | \$229,858 |
| HCPF Subtotal | - | \$9,092 | \$133,115 | \$248,044 |
| Total | \$7,782 | \$9,092 | \$133,115 | \$248,044 |
| Total FTE | 0.1 FTE | - | - | - |

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

Department of Regulatory Agencies. The Division of Insurance requires 0.1 FTE in FY 2023-24 only to adjust policies and rates and confer with the federal government. These costs are prorated to account for the bill's effective date and paid from the Division of Insurance Cash Fund.

Department of Health Care Policy and Financing (HCPF). HCPF, which operates the Children's Health Plan Plus (CHP+) must provide an alternative prosthetic limb in certain circumstances to members of CHP+. Additionally, Medicaid expansion benefit plan provisions require that all DOI mandatory covered items be covered for Medicaid expansion members. Thus HCPF must provide an alternative prosthetic limb to Medicaid members that meet the terms of the bill and are part of the Affordable Care Act expansion populations. The impacts of the requirement for both populations are detailed below. Both assume that most patients under 26 could maximize limb function by acquiring an additional limb and that the additional limb would cost the same as the initial one.

- **Durable Medical Equipment Costs—CHP+.** Based on current expenditures, HCPF requires \$18,000 to meet the coverage requirements for the CHP + population. HCPF coverage will start on January 1, 2025. FY 2024-25 costs are prorated to this start date.
- **Durable Medical Equipment Costs—Medicaid expansion population.** Based on current expenditures, HCPF requires \$230,000 to meet the coverage requirements for the Medicaid expansion population. Based on the timeline of federal approval, coverage is estimated to start on January 1, 2026. FY 2025-26 costs are prorated to this start date.

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.

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 2023-24, the bill requires an appropriation of \$6,108 from the Division of Insurance Cash Fund to the Department of Regulatory Agencies and 0.1 FTE.

State and Local Government Contacts

Health Care Policy and Financing
Regulatory Agencies

Information Technology

Law