

*Colorado Legislative Council Staff Fiscal Note*

**FINAL  
FISCAL NOTE**

<b>Drafting Number:</b> LLS 08-0332	<b>Date:</b> July 9, 2008
<b>Prime Sponsor(s):</b> Sen. Morse	<b>Bill Status:</b> Signed into Law
Rep. Massey	<b>Fiscal Analyst:</b> Clare Pramuk (303-866-2677)

**TITLE:** CONCERNING FUNDING FOR THE PROVISION OF UNCOMPENSATED TRAUMA CARE TO PERSONS INJURED IN MOTOR VEHICLE ACCIDENTS IN COLORADO, AND MAKING AN APPROPRIATION THEREFOR.

<b>Fiscal Impact Summary</b>	<b>FY 2008-2009</b>	<b>FY 2009-2010</b>
<b>State Revenue</b>	\$0	\$0
<b>State Transfers or Diversions</b>		
General Fund Diversion to Division of Insurance Cash Fund	(\$10,848)	(\$21,696)
<b>State Expenditures*</b>		
Cash Funds		
Division of Insurance Cash Fund	\$10,848	\$21,696
<b>FTE Position Change</b>	0.2 FTE	0.4 FTE
<b>Effective Date:</b> The Governor signed the bill into law on June 5, 2008, and unless a referendum petition is filed, the bill will take effect January 1, 2009.		
<b>Appropriation Summary for FY 2008-2009:</b> See State Appropriations section.		
<b>Local Government Impact:</b> None.		

**Summary of Legislation**

The bill requires insurance companies to include medical payments coverage of at least \$5,000 on motor vehicle policies beginning January 1, 2009. A policy may be issued without medical payments coverage if the policyholder rejects the coverage. If the insurance company fails to offer the coverage or to maintain documentation of the rejection, the policy is assumed to include coverage. Motorcycles, motorscooters, snowmobiles, and people who self-insure, are exempted from the requirements. The medical care coverage will provide \$5,000 per person, for bodily injury resulting from a motor vehicle accident regardless of fault.

The bill specifies the priority in which health care providers are to be paid benefits: licensed ambulances or air ambulances; trauma physicians; level III, IV or V trauma centers in rural areas; and level I, II or III trauma centers or regional pediatric trauma centers. Any remaining benefits are to be paid to health care providers for subsequent medical services.

## **Background**

Colorado converted from a no-fault auto insurance system to a tort system in 2003. Under no-fault, the vehicle owners were covered by their own insurance companies for reimbursement for personal injury sustained in an accident. Trauma care providers were able to collect for care from the motorist's insurer regardless of fault. Under the tort system, a person must prove that the other party involved was at fault in order to receive payment for damages creating a delay in payments to trauma care providers. At-fault drivers without health coverage are responsible for their own trauma care costs. If the driver is unable to pay, trauma care providers may not be reimbursed for their services.

## **State Transfers and Diversions**

This bill diverts \$10,848 from the General Fund in FY 2008-09 and \$21,696 in FY 2009-10. This revenue diversion is necessary 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.

**General Fund for Transportation.** Based on the March 2008 Legislative Council Staff revenue forecast, there is enough money to partially fund the annual diversion to the Highway Users Tax Fund (HUTF) under the provisions of SB 97-1 beginning in FY 2008-09 through FY 2010-11. This bill reduces General Fund revenue, thereby reducing the SB 97-1 diversion by \$10,848 in FY 2008-09.

## **State Expenditures**

This bill has a cash funds fiscal impact of approximately \$10,848 and 0.2 FTE for FY 2008-09 and \$21,696 and 0.4 FTE for FY 2009-10 for the Department of Regulatory Agencies.

***The Department of Regulatory Agencies, Division of Insurance*** — will promulgate rules to implement the bill, review rates, respond to inquiries and investigate complaints. Rule making and rate review can be addressed using available resources. Increases are expected in the number of inquiries and complaints handled by the division, which drives the fiscal impact. The medical payments coverage is similar to the coverage provided under the old "no-fault" automobile coverage. These types of complaints are generally more complex because they require determinations of medical necessity which rely on the review of medical records. As a result, each complaint is expected to require 8 hours to resolve. The division estimates an increase of 100 claims per year. Because the bill doesn't become effective until January 1, 2009, the expenditures for FY 2008-09 represent 6 months.

***Department of Health Care Policy and Financing*** — may experience reduced costs for emergency medical services when Medicaid clients are injured in automobile accidents. However, since the department does not track payment data by injury type, potential Medicaid savings cannot be determined at this time. Should future savings be identified, they would be addressed through the annual budget process.

**Judicial Branch** — anticipates new civil cases filed for insurance provider denials of payments based on dispute of medical necessity. These are among the more complex civil cases filed in the court system, but it cannot be determined how many of these cases will be filed. As a result, the fiscal impact on the judicial branch cannot be determined at this time. Should future court costs be identified, they would be addressed through the annual budget process.

**All Departments** — The Department of Personnel and Administration, Office of Risk Management, handles all automobile accident claims involving the state vehicle fleet. Under the Colorado Risk Management Act, the state and state employees driving state-owned automobiles are exempt from automobile insurance laws. Instead, if an automobile accident results in injury and occurs during the scope of employment, workers' compensation pays medical benefits for injured employees. Consequently, the bill will not affect state departments.

### **State Appropriations**

To implement this bill, the Department of Regulatory Agencies requires a cash funds appropriation of \$10,848 from the Division of Insurance Cash Fund and 0.2 FTE for FY 2008-09.

### **Departments Contacted**

Regulatory Agencies  
Health Care Policy and Financing

Personnel and Administration  
Judicial