

The bill requires the department to provide the House and Senate Health and Human Services Committees with a preliminary report by December 15, 2008, and a final report with legislative recommendations by March 1, 2009. The committees may recommend legislation for the Centennial Care Choices Program including: (1) developing VBPs, (2) creating a state subsidy program, and (3) identifying a funding source with a referendum to the voters for a tax increase if appropriate.

Value Benefit Plans (VBPs). At a minimum, proposals for VBPs must be based on the following:

- ▶ the lowest level of benefits allowed in the state's individual health insurance market, including primary and preventive care and participation in wellness programs;
- ▶ the use of health information technology, telemedicine, and internet-based health care education materials and tools;
- ▶ encouragement of pay-for-performance systems for reimbursing health care providers and other innovative or collaborative efforts within communities including community health centers, hospice providers, and other safety net providers;
- ▶ rate setting based on age and geographic location of the policyholder with optional coverage choices for consumers;
- ▶ premium payment through a state-paid premium subsidy if appropriate; and
- ▶ protection of the existing small group and individual markets and the CoverColorado program.

Request for Information (RFI). A RFI must be developed for the purpose of obtaining information to make legislative recommendations for health care reform. The following assumptions are outlined for the RFI process:

- ▶ all Coloradans will be required to obtain health coverage;
- ▶ a VBP will be the minimum benefits package available in the individual market;
- ▶ a premium subsidy program to assist low-income individuals and families will be created;
- ▶ Medicaid will be expanded to include adults with income up to 100 percent of the federal poverty level; and
- ▶ a dedicated source of revenue will be available.

State Revenue

Any increase to state revenue in FY 2008-09 is conditional upon the receipt of gifts, grants, and donations. The bill allows the Department of Health Care Policy and Financing to solicit gifts, grants and donations if the General Fund monies included in the appropriation clause are insufficient to meet the requirements of the bill. While no gifts, grants, and donations are currently identified, the fiscal note indicates that \$62,500 is required.

State Transfers and Diversions

This bill diverts \$29,500 from the General Fund in FY 2008-09. The 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.

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 \$29,500 in FY 2008-09.

State Expenditures

Total state expenditures are expected to increase by \$411,900 in FY 2008-09. Of the total, \$65,500 is conditional upon the receipt of gifts, grants, and donations. Costs are incurred in both the Department of Health Care Policy and Financing and the Department of Regulatory Agencies as discussed below and shown in Table 1. For FY 2009-10, any costs are conditional upon further legislation and are not included in the fiscal note.

Table 1. Expenditures Under SB08-217	
Cost Components	FY 2008-09
<i>Department of Health Care Policy and Financing</i>	
Temporary Personal Services	\$169,185
Operating Expenses & Capital Outlay	13,215
Contractor Costs	200,000
<i>Subtotal</i>	<i>\$382,400</i>
<i>Division of Insurance - Actuary Services</i>	
	<i>\$29,500</i>
TOTAL	\$411,900
General Fund	128,700
Gifts, Grants and Donations*	65,500
Division of Insurance Cash Fund	29,500
Federal Funds	191,200

* *Conditional*

Department of Health Care Policy and Financing -- \$382,400. The department has primary responsibility for requirements included in the bill. Staff is required to perform the following functions:

- ▶ coordinate with the Division of Insurance and a panel of experts;
- ▶ acquire relevant actuarial projections and research cost savings;
- ▶ develop a request for information for a new health insurance product, and evaluate submitted proposals;
- ▶ perform research and make recommendations to the legislature related to an individual health insurance mandate including enforcement mechanisms, a state health insurance subsidy program, evidence-based medicine, expanding Medicaid, and amounts and sources of revenue required for the Centennial Care Choices Program; and
- ▶ provide logistical and administrative support to the advisory panel.

For FY 2008-09, costs are included for temporary personal services and contract assistance to complete the activities outlined by March 2009. The staffing level and costs are similar to the personnel costs of the Blue Ribbon Commission for Health Care Reform which recently completed its work and which the department is expected to build upon.

For FY 2009-10, the fiscal note assumes that any costs will be identified in further legislation, including any expansion of Medicaid to include single adults. Thus, costs are not included here.

Department of Regulatory Agencies, Division of Insurance -- \$29,500. The division is required to coordinate with the Department of Health Care Policy and Financing to complete the requirements of the bill. Costs are included to provide approximately 700 hours of health insurance and actuarial expertise.

Department Differences

The Department of Health Care Policy and Financing identified the need for \$442,727 and 2.7 FTE to implement this bill, \$60,327 more than what is included in the fiscal note. The department identified the need for existing staff to provide input to the panel of experts, and related costs to hire temporary staff to complete ongoing duties of the department. Due to the 9-month scope and time frame of the project and the flexibility provided to the department in the appropriation clause, the fiscal note assumes that these activities can be completed within the amounts included in Table 1. In addition, since the project is to be completed by March 1, 2009, the fiscal note assumes that use of temporary services is more appropriate than hiring FTE.

State Appropriations

Consistent with the fiscal note, the bill includes the following appropriations for FY 2008-09:

- ▶ **Department of Health Care Policy and Financing** - \$382,400 split between the General Fund (\$128,700), cash funds (\$62,500) and federal funds (\$191,200); and
- ▶ **Department of Regulatory Agencies, Division of Insurance** - \$29,500 (cash funds) from the Division of Insurance Cash Fund.

Departments Contacted

Health Care Policy and Financing
Office of the Governor

Regulatory Agencies