


Colorado Legislative Council Staff Fiscal Note
FINAL
FISCAL NOTE

Drafting Number: LLS 10-0503
Prime Sponsor(s): Rep. Levy
 Sen. Steadman

Date: June 17, 2010
Bill Status: Signed into Law
Fiscal Analyst: Sara McPhee (303-866-4782)

TITLE: CONCERNING A LIMITATION ON THE ABILITY OF AN INSURER TO OBTAIN REPAYMENT OF BENEFITS FROM AN INJURED PARTY WHO RECOVERS DAMAGES FROM THE PARTY RESPONSIBLE FOR THE INJURY IN SITUATIONS WHEN THE INJURED PARTY WOULD NOT BE FULLY COMPENSATED IF THE BENEFITS ARE REPAID TO THE INSURER.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
State Revenue	See State Revenue Section	
State Expenditures	See State Expenditures Section	
FTE Position Change		
Effective Date: The bill was signed by the Governor and became law on April 28, 2010.		
Appropriation Summary for FY 2010-2011: None required.		
Local Government Impact: None.		

Summary of Legislation

The bill limits the ability of a benefits insurer to obtain repayment of benefits in circumstances where the injured party would not be fully compensated. Under current law, an insurer that pays benefits to a person who is injured may obtain repayment of those benefits out of the settlement money paid to the injured party, regardless of whether the injured party has been fully compensated.

In the event that an injured party is fully compensated, the bill limits the repayment amount to the amount actually paid by the insurer. The insurer must pay a proportionate share of attorney fees and costs incurred by the injured party in obtaining the recovery. Any dispute that occurs about an insurer's right to reimbursement is to be settled through arbitration.

State Revenue

Department of Personnel and Administration (DPA). The bill may reduce state revenue by limiting the state's ability to be reimbursed for health benefits paid through the self-funded employee health plan. Currently, the state self-funded employee health plan would be able to recover these costs out of the repayment paid the injured party; however, this recovery would be limited

under the bill if the injured party had not been fully compensated. It is not possible to quantify the potential revenue loss because it is not known how many individuals on the state self-funded health plan may be injured by a third party and not be made whole through settlement or judgment. In 2009, there were 2,888 motor vehicle specific personal injury cases filed in the entire state of Colorado; the fiscal note assumes that very few of these cases would involve state employees who are covered under the state self-funded insurance plan.

State Expenditures

Judicial Branch. Because the bill specifies that the determination of whether or not an injured party has been fully compensated is to be decided through arbitration, the fiscal note assumes that the Judicial Branch will not require additional resources. The bill also states that a payer of benefits may bring a direct action for repayment of benefits against the third party who was responsible for the injuries; however, this cause of action is already permitted under current law.

Department of Personnel and Administration. The DPA may have costs for arbitration in cases where the self-funded health plan tries to obtain repayment for benefits, but the injured party claims that he or she was not made whole. At this time, these costs cannot be quantified; the fiscal note assumes that these cases would occur infrequently.

Local Government Impact

Local governments with self-funded health plans will have revenue losses and expenditures similar to those for the DPA. It is not possible to know how many local governments have a self-funded health plan or how often these cases may occur; therefore, these costs cannot be quantified.

Departments Contacted

Judicial
Health Care Policy and Financing

Regulatory Agencies
Personnel and Administration