

*Colorado Legislative Council Staff Fiscal Note*  
**STATE and LOCAL**  
**FINAL FISCAL IMPACT**

**Drafting Number:** LLS 07-0277  
**Prime Sponsor(s):** Sen. Johnson  
 Rep. Romanoff

**Date:** May 15, 2007  
**Bill Status:** Signed into Law  
**Fiscal Analyst:** Amy Larsen (303-866-3488)

**TITLE:** CONCERNING CONTRACTUAL AGREEMENTS WITH HEALTH CARE PROVIDERS FOR HEALTH CARE SERVICES.

Fiscal Impact Summary	FY 2007-2008	FY 2008-2009
<b>State Revenue</b>	\$ 0	\$ 0
<b>State Expenditures</b>	\$ 0	Potential Increase
<b>FTE Position Change</b>	0.0 FTE	0.0 FTE
<b>Effective Date:</b> The bill was signed into law by the Governor on March 30, 2007, and unless a referendum is filed, the bill will take effect August 3, 2007.		
<b>Appropriation Summary for FY 2007-2008:</b> None required.		
<b>Local Government Impact:</b> Potential increase in costs for employee health benefits.		

**Summary of Legislation**

On and after January 1, 2008, the bill requires new contracts with health care providers to include a summary disclosure statement with specified information. Existing contracts must comply with the provisions of the bill by December 31, 2008. Additional requirements related to contracts with health care providers including the following:

- disclosure information must allow providers to determine the compensation for services, including a fee schedule that may be provided electronically;
- the provider must be given information as to how claims are adjudicated, including information about who is responsible for any outstanding balance;
- significant changes to a contract may occur only if 90-days notice is given to the provider and certain other conditions are met;
- contracts may be modified as required by state or federal law or regulation;
- providers may decline services to new patients upon 60-days notice;
- contracts of less than 2-years must allow each party a right to terminate the contract without cause as long as 90-days notice is given; and
- contracts may include an agreement for binding arbitration.

Exempted from these requirements are contracts between two health care providers, contracts entered into by hospitals, and contracts for health care services for workers' compensation and Medicaid.

## **State Expenditures**

In FY 2007-08, state expenditures are not anticipated to change as a result of this bill. However, this bill may increase future state spending as described below.

***Department of Human Services.*** The department contracts with multiple providers for health care services. Should the state's contractors experience increased costs to comply with SB07-079, those costs are likely to be passed on to the department. Any changes to contracts would be coordinated through the Department of Personnel and Administration, and the fiscal note assumes that the annual budget process will be used should additional funding be required.

***State Employee Health Plan Contributions.*** The provisions of the bill apply to some of the health insurance plans offered to state employees under the state's employee benefit program. Total health plan cost increases are expected to translate into increased premiums of \$117,370 for 31,817 enrolled state employees and dependents. While the average increase is \$3.69, the actual premium increase for a state employee will depend on family size and selected plan.

While the bill is not expected to impact Kaiser Permanente or Delta Dental, both Great West and San Luis Valley health plans anticipate increased costs to provide contract notices and amendments. Costs are not included for potential litigation and arbitration costs. The fiscal note assumes that premium increases will be paid by employees since any adjustment to the state's contributions would require additional legislation.

***State Employer Health Plan Contributions.*** While premium increases are expected to be paid by state employees in the first year, this bill may influence the General Assembly to increase the state's contribution in order to meet the statutory requirement of providing benefits comparable to private sector employers. Over time, increased health insurance premiums would be incorporated into the Total Compensation Survey, and any increases to the state's contribution to maintain parity with the private sector will increase state expenditures.

## **Local Government Impact**

Local governments may experience increased costs for the same reasons state costs may increase.

## **Departments Contacted**

Human Services  
Health Care Policy and Financing  
Law

Public Health and Environment  
Personnel and Administration