

**STATE and LOCAL  
FISCAL IMPACT**

**Drafting Number:** LLS 07-0260  
**Prime Sponsor(s):** Sen. Keller  
 Rep. Stafford

**Date:** January 30, 2007  
**Bill Status:** Senate SVMA  
**Fiscal Analysts:** Chris Ward (303-866-5834)  
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**TITLE:** CONCERNING THE INCLUSION OF CERTAIN ADDITIONAL MENTAL DISORDERS IN THE MANDATORY HEALTH INSURANCE COVERAGE FOR MENTAL ILLNESS, AND, IN CONNECTION THEREWITH, DEFINING MENTAL DISORDER AS A CONDITION CLASSIFIED AS A MENTAL DISORDER IN THE NINTH REVISION OF THE INTERNATIONAL CLASSIFICATION OF DISEASES AND EXCLUDING SPECIFIED CONDITIONS DEFINED AS MENTAL DISORDERS THEREIN.

<b>Fiscal Impact Summary</b>	<b>FY 2007-2008</b>	<b>FY 2008-2009</b>
<b>State Revenue</b>	\$0	\$0
<b>State Expenditures</b>		
<u>Total</u>	<u>\$27,731</u>	<u>\$65,749</u>
General Fund Appropriation to the Children's Basic Health Plan Trust	9,706	23,012
Federal Funds	18,025	42,737
<b>FTE Position Change</b>	0.0 FTE	0.0 FTE
<b>Effective Date:</b> January 1, 2008.		
<b>Appropriation Summary for FY 2007-2008:</b> See State Appropriations section.		
<b>Local Government Impact:</b> None		

**Summary of Legislation**

The bill requires group health insurance policies to include coverage for certain mental disorders. The bill requires that coverage be provided for mental disorders as defined in the 9th revision of the international classification of diseases (ICD-9), with the exception of homosexuality and tobacco use.

**State Expenditures**

The bill will increase expenditures by **\$27,731 in FY 2007-08** and \$65,749 per year thereafter in the Department of Health Care Policy and Financing, with 65 percent of the costs to be paid from federal funds. The cost for FY 2007-08 reflects one-half of the yearly total due to the bill's January 1, 2008, effective date. In the long term, the bill may also require an increase in premiums paid by both the state and state employees for health insurance coverage.

**Department of Health Care Policy and Financing.** By requiring group health insurance policies to include coverage for mental disorders, the bill expands coverage provided through the Indigent Care Program of the Children's Basic Health Plan (CBHP). Under current law, CBHP covers 20 mental health visits per member per year. This bill effectively eliminates the cap. The cost of the bill is based on the following assumptions:

- average monthly enrollment of 52,414 in FY 2007-08 and 62,262 in FY 2008-09;
- a \$0.08 increase in the blended per member, per month premium; and
- \$1,000 in administrative costs for actuarial certification in FY 2007-08.

Funding for CBHP is 65 percent from federal funds and 35 percent from the CBHP Trust. However, projections indicate that trust fund revenue will not be sufficient to cover all expenses and General Fund monies will be required. Therefore, the costs generated by this bill require that additional General Fund monies be appropriated to the trust. Table 1 shows the expected costs.

<b>Table 1. Expenditures Under SB 07-36</b>		
	<b>FY 2007-08</b>	<b>FY 2008-09</b>
CBHP Trust (from General Fund)	\$9,706	\$23,012
Federal Funds	18,025	42,737
<b>TOTAL</b>	<b>\$27,731</b>	<b>\$65,749</b>

**State Employee Health Plans.** This bill requires changes to the state employee health plans to provide coverage for certain mental disorders beginning January 1, 2008. Currently, all of the state's plans cover mental illness, but the scope of that coverage varies by plan. The state's self-funded plan covers a maximum of 45 days for inpatient services and 30 visits for outpatient services per year. Services for alcohol and substance abuse are also subject to a lifetime maximum benefit of 60 days for inpatient and 60 visits for outpatient services. Total health plan cost increases are expected to translate into increased premiums of \$385,609 for 51,360 enrolled state employees and dependents. The actual premium increase for a state employee will depend on family size and selected plan.

For the first year, the fiscal note assumes that premium increases will be paid by employees. However, 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.

**State Appropriations**

For FY 2007-08, the Department of Health Care Policy and Financing will require a cash funds exempt appropriation of \$9,706 from the Children's Basic Health Plan Trust and \$18,025 federal funds (\$27,731 total). In addition, a General Fund appropriation of \$9,706 should be made to the Children's Basic Health Plan Trust for FY 2007-08.

**Departments Contacted**

Health Care Policy and Financing  
Regulatory Agencies

Personnel and Administration