


Colorado Legislative Council Staff Fiscal Note
STATE
FISCAL IMPACT

Drafting Number: LS 08-0826

Date: February 13, 2008

Prime Sponsor(s): Rep. Gardner C.
Sen. Mitchell S.

Bill Status: House Business Affairs and Labor

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TITLE: CONCERNING ACCESS TO AFFORDABLE HEALTH INSURANCE PRODUCTS FOR COLORADO RESIDENTS THROUGH THE ELIMINATION OF CERTAIN REGULATORY RESTRICTIONS THAT INCREASE THE COSTS OF HEALTH INSURANCE PRODUCTS FOR CONSUMERS.

Fiscal Impact Summary	FY 2008-2009	FY 2009-2010
State Revenue	\$0	\$0
State Transfers or Diversions		
General Fund Diversion to Division of Insurance Cash Fund	(\$42,592)	(\$40,865)
State Expenditures		
Cash Funds		
Division of Insurance Cash Fund	\$32,469	\$30,741
FTE Position Change	0.5 FTE	0.5 FTE
Effective Date: 90 days following final adjournment of the General Assembly unless a referendum petition is filed (August 6, 2008, if final adjournment is May 7, 2008).		
Appropriation Summary for FY 2008-2009: See State Appropriations section of fiscal note.		
Local Government Impact: None.		

Summary of Legislation

This bill allows Colorado residents to purchase health insurance from companies that are not licensed in Colorado but whose insurance products are lawfully sold in other states. The insurance companies will be subject to regulation by the Commissioner of Insurance with regards to the current statutory requirements for prompt payment of claims and rules for denial of benefits.

State Transfers and Diversions

This bill diverts \$42,592 from the General Fund in FY 2008-09 and \$40,865 in FY 2009-10. This 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 Highways and Capital Construction. Based on the December 2007 Legislative Council Staff revenue forecast, money is available to be transferred to the Highway Users Tax Fund (HUTF) and Capital Construction Fund, through the mechanism passed in HB 02-1310, each year through at least FY 2011-12. This bill reduces General Fund revenue, thereby reducing the amount available for these transfers by \$28,395 for the HUTF and \$14,197 for the Capital Construction Fund in FY 2008-09.

State Expenditures

This bill is expected to increase expenditures in the Department of Regulatory Agencies, Division of Insurance, by \$32,469 and 0.5 FTE in FY 2008-09, and \$30,741 and 0.5 FTE in FY 2009-10.

Table 1. Expenditures Under HB08-1327 for the Division of Insurance		
Cost Components	FY 2008-09	FY 2009-10
Personal Services	\$30,266	\$30,266
FTE	0.5	0.5
Operating Expenses	475	475
Capital Outlay (one-time cost)	1,728	
TOTAL	\$32,469	\$30,741

The division currently responds to inquiries and complaints on health insurance from consumers, and inquiries from providers. In FY 2006-07, consumers made 1,100 inquiries and filed 673 complaints. Although it cannot be determined how many Colorado residents will purchase insurance from out-of-state companies, this bill will likely result in an increase in consumer and provider contact. Complaints are expected to increase by 10 percent, or 67 complaints, which are anticipated to take twice as long to resolve because division staff won't have ready access to information on an out-of-state policy. The division will need to add staff and develop procedures for resolving consumer complaints. Should workload be greater than anticipated, increased staffing will be addressed through the annual budget process.

Expenditures Not Included

Pursuant to a Joint Budget Committee policy, funding for the items noted below will not be included in fiscal note expenditure estimates. However, indirect costs are calculated to reflect the total direct and indirect costs required to support a particular program. For FY 2008-09, these total \$10,125 for this bill.

- group health, life and dental insurance (\$3,150)
- short-term disability (\$35)

- amortization equalization disbursements (\$434)
- supplemental amortization equalization disbursements (\$136)
- indirect costs (\$6,210)
- risk management (\$67)
- worker's compensation (\$93)

State Appropriations

To implement this bill, the Department of Regulatory Agencies requires a cash funds appropriation of \$32,469 from the Division of Insurance Cash Fund and 0.5 FTE for FY 2008-09.

Departments Contacted

Regulatory Agencies