

Colorado Legislative Council Staff Fiscal Note

**STATE and
STATUTORY PUBLIC ENTITY
FISCAL IMPACT**

Drafting Number: LLS 10-0166
Prime Sponsor(s): Sen. Boyd
 Rep. Massey

Date: January 21, 2010
Bill Status: Senate Health & Human Services
Fiscal Analyst: Clare Pramuk (303-866-2677)

TITLE: CONCERNING MEASURES TO ADDRESS THE FINANCIAL VIABILITY OF THE COVERCOLORADO PROGRAM.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
State Revenue		
State Transfers or Diversions Diversion from the General Fund to the Division of Insurance Cash Fund	(\$14,552)	
State Expenditures Cash Funds Division of Insurance Cash Fund	12,350	
FTE Position Change	0.1 FTE	
Effective Date: July 1, 2010.		
Appropriation Summary for FY 2010-2011: See State Appropriations section.		
Local Government Impact: None.		

Summary of Legislation

Recommended by the Health Care Task Force, this bill authorizes the CoverColorado Board of Directors to establish one or more fee schedules for compensating health care providers for services to CoverColorado program members. Fee schedules for CoverColorado are to be adopted by the Commissioner of Insurance by rule to take effect on or after January 1, 2011. Under the bill, health care providers are prohibited from billing program members for costs in excess of the applicable fee on a fee schedule. Additionally, the bill authorizes the board to maintain enrollment within the available financial resources of the program.

Background

CoverColorado is a non-profit entity created by the General Assembly in 1991 to offer health insurance coverage to people unable to obtain insurance at a reasonable cost without significant exclusions. The program covers over 10,200 enrollees and receives 50 percent of its funding from

participant premiums, premium tax credits, interest, and federal grants. The remaining 25 percent of funding is from carrier assessments and transfers from the Unclaimed Property Trust Fund. Total funding for calendar year 2010 is approximately \$118 million. CoverColorado contracts with Rocky Mountain Health Plans (RMHP) to administer benefits and uses RMHP's provider reimbursement rates. HB08-1390 created the CoverColorado Long-term Funding Task Force that recommended allowing CoverColorado to set its own fees for medical services to save money.

State Transfers and Diversions

This bill diverts \$14,552 from the General Fund in FY 2010-11 to the Division of Insurance Cash Fund. 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. This amount includes \$2,202 that is not included in the State Expenditures section but is shown in the diversion total for funding purposes and summarized in Table 1.

State Expenditures

An increase in expenditures of \$12,350 is expected for FY 2010-11 from the Division of Insurance Cash Fund. This represents \$6,320 and 0.1 FTE required to respond to an estimated 2,400 additional inquiries to the Division of Insurance on billing issues related to the new provider fee schedules. In addition, 80 hours of legal services at a cost of \$6,030, is required from the Department of Law for the drafting of the provider fee schedule rules.

Expenditures Not Included

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are summarized in Table 1.

Table 1. Expenditures Not Included Under SB10-020*		
Cost Components	FY 2010-11	FY 2011-12
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$711	
Supplemental Employee Retirement Payments	235	
Indirect Costs	1,229	
Risk Management and Workers' Compensation	27	
TOTAL	\$2,202	\$0

*More information is available at: <http://www.colorado.gov/cs/Satellite/CGA-LegislativeCouncil/CLC/1200536133924>

Statutory Public Entity Impact

The provider fee schedules allowed by SB10-020 are expected to result in an annual savings beginning in calendar year 2011 ranging from \$19 to \$28 million. The actual amount will depend on the size of the discounts obtained and the utilization of medical services.

State Appropriations

The Division of Insurance requires an appropriation of \$12,350 and 0.1 FTE from the Division of Insurance Cash Fund. Of this, the Department of Law requires \$6,030 in reappropriated funds.

Departments Contacted

Regulatory Agencies

Law

CoverColorado