

Colorado Legislative Council Staff Fiscal Note



STATE FISCAL IMPACT

Drafting Number: LLS 14-0792
Prime Sponsor(s): Sen. Brophy

Date: February 6, 2014
Bill Status: Senate SVMA
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SHORT TITLE: INTERSTATE SALE SMALL EMPLOYER HEALTH BENEFIT PLAN

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue	\$0	
<i>State Diversions</i>		
General Fund	(20,513)	
Cash Funds	20,513	
State Expenditures	\$20,513	Possible increase. See State Expenditures section.
Cash Funds	20,513	
FTE Position Change	0.3 FTE	
Appropriation Required: \$20,513 - Department of Regulatory Agencies (FY 2014-15)		

* This summary shows changes from current law under the bill for each fiscal year. Transfers and diversions result in no net change to state revenue. Parentheses indicate a decrease in funds.

Summary of Legislation

This bill allows certain insurance companies to sell small employer health benefit plans in Colorado that are approved in other states but may not include all the coverages mandated under Colorado law. The Commissioner of Insurance (commissioner) is required to approve small employer health benefit plans and policy forms that are approved in other states if the insurance company or its subsidiary:

- is authorized to do business in Colorado and meets specified solvency standards;
- has an adequate provider network;
- agrees that the commissioner may enforce the provisions of the plan and resolve disputes, that contested cases are subject to the State Administrative Procedure Act, and that appeals be resolved in Colorado courts; and
- notifies the commissioner whether the plan will be priced the same as in the other state.

Further, small employer health benefit plans must be protected under the Life and Health Insurance Protection Association Act and the commissioner must adopt rules to implement the bill.

Background

Individual and small group (employer) health insurance plans are regulated by the Division of Insurance (DOI) in the Department of Regulatory Agencies (DORA). The DOI monitors insurer solvency and market conduct, and addresses consumer complaints. Health insurance plans for large employers are generally regulated by the federal Employee Retirement Income Security Act (ERISA).

State Revenue

The bill has no net impact on state revenues, but does result in a diversion of General Fund as described below.

State Diversions. This bill diverts \$20,513 from the General Fund in FY 2014-15 only. This revenue diversion occurs because the bill increases costs in the DOI, which is funded with premium tax revenue that would otherwise be credited to the General Fund.

State Expenditures

This bill is expected to increase expenditures for the DOI in the DORA by **\$20,513 and 0.3 FTE, in FY 2014-15** only, from the Division of Insurance Cash Fund. Possible additional expenditures are discussed below.

Assumptions. Similar laws to allow sales of out-of-state health benefit plans have passed in other states but insurance companies have not yet chosen to offer these plans. The fiscal note assumes that insurance companies will not pursue selling out-of-state plans in Colorado during the next two fiscal years.

Department of Regulatory Agencies. The commissioner will conduct rulemaking hearings to add a new regulation and amend existing regulations that are affected by the bill. The new regulation is expected to require 80 hours of staff time and amendment of 25 regulations will require 20 hours each for a total expenditure of \$20,513 and 0.3 FTE for personal services. Legal services costs are expected to be addressed within existing appropriations.

Should insurance companies choose to write out-of-state plans, the workload of the DOI will increase. The DOI would be required to review and approve policy rates and forms, insurance company solvency, and provider networks. Some of this work is expected to be addressed by actuarial consultants at a cost of \$1,250 per filing. DOI staff will respond to consumer and insurance company inquiries about out-of-state policies and resolve any consumer complaints that arise. The amount of increased expenditures that may be required depends on how many insurance companies choose to sell these plans and the number of corresponding policyholders. Should this occur, the DOI can pursue additional appropriations through the annual budget process or use a portion of federal funds that have been allocated for rate reviews through October 2015.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

For FY 2014-15, the Department of Regulatory Agencies requires an appropriation of \$20,513 and 0.3 FTE from the Division of Insurance Cash Fund.

State and Local Government Contacts

Law

Regulatory Agencies