

**FINAL
FISCAL NOTE**

Drafting Number: LLS 15-0241
Prime Sponsor(s): Rep. Joshi
 Sen. Lundberg

Date: July 14, 2015
Bill Status: Postponed Indefinitely
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BILL TOPIC: REPEAL HEALTH BENEFIT EXCHANGE

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue	<u>Up to \$1.3 million</u>	
Revenue Change		
General Fund	Up to \$1.3 million	
State Diversions		
General Fund	(44,706)	
Cash Funds	44,706	
State Expenditures	<u>\$3,495,302</u>	
General Fund	1,712,900	Potential increase. See State Expenditures section.
Cash Funds	34,847	
Federal Funds	1,712,900	
Centrally Appropriated Costs**	34,655	
FTE Position Change	2.5 FTE	
TABOR Set Aside	Up to \$1.3 million	
Appropriation Required: \$3.5 million - Multiple agencies (FY 2015-16)		

* This summary shows changes from current law under the bill for each fiscal year.

** These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

Summary of Legislation

This bill repeals the Colorado Health Benefit Exchange Act, effective January 1, 2016, and requires the state treasurer to transfer any unencumbered moneys that remain in the exchange to the General Fund.

Background

The Colorado Health Benefit Exchange Act, enacted under Senate Bill 11-200, established the Colorado health benefit exchange, known now as Connect for Health Colorado. SB 11-200 also created a non-profit board of directors (board) to oversee the operations of Connect for Health Colorado and the Legislative Health Benefit Exchange Implementation Review Committee (committee) to provide legislative oversight. Connect for Health Colorado is the state's health insurance exchange established in response to federal health care reform under the Affordable Care Act (ACA). Through Connect for Health Colorado, consumers can shop for health insurance and determine eligibility for federal tax subsidies for the purchase of health insurance or other public health programs. Persons purchasing health insurance through the exchange may qualify for federal subsidies if their income is between 133 and 400 percent of the federal poverty level and they meet certain other requirements.

Currently, Connect for Health Colorado is funded by an assessment on health and dental insurance plans sold in Colorado; donations from insurance carriers through a premium tax credit; fees charged on policies sold through Connect for Health Colorado; as well as gifts, grants, and donations. Connect for Health Colorado is required to be self-sufficient in funding its operations and no General Fund may be used to fund the exchange. Its yearly operational budget is approximately \$26 million as of FY 2014-15. A 12-member board of directors, who serve without compensation, governs the exchange.

The 10-member legislative review committee is authorized to make recommendations to the board and the exchange, and can carry legislation concerning the exchange. The review committee is authorized to meet up to five times per year, and is required to meet at least twice per year. Support to the review committee and post-enactment review are provided by staff of the Legislative Council and Office of Legislative Legal Services.

State Revenue

The bill may increase revenue to the General Fund **by up to \$1.3 million in FY 2015-2016** from transferring any remaining unencumbered moneys held by Connect for Health Colorado to the General Fund on January 1, 2016. It also diverts \$44,706 from the General Fund as described below.

Transfer of Health Colorado funds. An exact projection of unencumbered funds at Connect for Health Colorado on January 1, 2016, is not available at this time, but the fiscal note estimates that it may be up to \$1.3 million. This estimate is based on the assumption that Connect for Health Colorado maintains operating reserves of up to 5 percent of its \$26 million operating budget. In addition, subject to grant terms and conditions, some federal and non-federal grant funding held by Connect for Health Colorado may potentially be unencumbered on this date, which could further increase revenue to the General Fund. However, the fiscal note assumes this funding will be spent over the course of 2015, so the fiscal note does not estimate this potential revenue.

State Diversions. This bill diverts **\$44,706 from the General Fund in FY 2015-16**. This revenue diversion occurs because the bill increases costs in the Department of Regulatory Agencies (DORA), Division of Insurance (DOI), which is funded with premium tax revenue that would otherwise be credited to the General Fund.

TABOR Impact

This bill increases state General Fund revenue, which will increase the amount required to be refunded under TABOR by the same amount. TABOR refunds are paid from the General Fund. As discussed in the State Revenue section, the potential revenue increase under the bill is not known, but could be up to \$1.3 million.

State Expenditures

The bill increases state costs by **\$3.5 million and 2.5 FTE in FY 2015-16**. These costs are in the Department of Health Care Policy and Financing (HCPF) for computer system changes conducted and managed by the Governor's Office of Information Technology (OIT) and in DORA for staffing costs in the Division of Insurance. Costs in HCPF are split evenly between General Fund and federal funds; DORA costs are paid from the Division of Insurance Cash Fund. The bill

may require additional expenditures in future years if federal grants for implementation of Connect for Health Colorado are required to be repaid due to the repeal. These costs are discussed below and summarized in Table 1.

Table 1. Expenditures Under HB 15-1066		
Cost Components	FY 2015-16	FY 2016-17
<i>Office of Information Technology</i>	<u>\$3,450,594</u>	<u>\$0</u>
Personal Services	\$112,493	\$0
FTE	2.0 FTE	
Operating Expenses and Capital Outlay Costs	11,306	0
Information Technology Contractor	3,302,000	0
Centrally Appropriated Costs*	24,795	0
<i>Department of Regulatory Agencies</i>	<u>\$44,706</u>	<u>\$0</u>
Personal Services	29,669	0
FTE	0.5 FTE	
Operating Expenses and Capital Outlay Costs	5,178	0
Centrally Appropriated Costs*	9,859	0
TOTAL	<u>\$3,495,300</u>	<u>\$0</u>

* Centrally appropriated costs are not included in the bill's appropriation.

Office of Information Technology. The federal ACA requires the states to use a state-run exchange, such as the Colorado for Health Colorado, or else participate in a federally run exchange. The OIT will have costs of \$3.4 million, paid for with reappropriated funds from HCPF, to integrate the Colorado Benefits Management System (CBMS) with the federal exchange. Work will also be required to remove the existing integration between Connect for Health Colorado and CBMS. These costs include both contract IT services and in-house staff at OIT. The IT contractor costs are based on 25,400 hours of programmer time at the current contract rate of \$130 per hour. The 2.0 FTE for in-house IT staff are necessary to conduct user acceptance testing and other tasks not covered under the contract with the current vendor.

Repayment of grant moneys. The state and Connect for Health Colorado have received several federal establishment and planning grants totaling more than \$180 million since 2010. It is unknown how much, if any, of these funds will be required to be repaid. This analysis assumes that state expenditures will potentially increase if the federal government requires any grant moneys to be returned. It is unknown when any repayment may be required.

Division of Insurance. The Division of Insurance in DORA will require 0.5 FTE for staff to address consumer inquiries concerning the repeal of Connect for Health Colorado and establishment of a new federally facilitated health insurance exchange. Division of Insurance staff will also be required to work with insurance carriers and the federal government concerning the transition to a federal health exchange. Costs for this staff include \$29,669 for personal services and \$5,178 for standard operating and capital outlay expenses.

Legislative branch. If the Colorado Health Benefit Exchange Act is repealed, staffing support to the legislative committee will no longer be necessary. These staffing support costs are not shown as a reduction because the General Assembly prioritizes which, if any, interim committees it wishes to fund through the annual budget process.

Centrally appropriated costs. 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 estimated in the fiscal note for informational purposes and summarized in Table 2.

Table 2. Centrally Appropriated Costs Under HB 15-1066*		
Cost Components	FY 2015-16	FY 2016-17
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$20,098	\$0
Supplemental Employee Retirement Payments	11,018	0
Indirect Costs	3,538	
TOTAL	\$34,654	\$0

*More information is available at: <http://colorado.gov/fiscalnotes>

Statutory Public Entity Impact

This bill requires Connect for Health Colorado to cease operations and transfer all its funds by January 1, 2016. People seeking to enroll in, or renew, health coverage plans will need to go through private insurance carriers and brokers, or through the federal exchange. The bill also diverts funding to Connect for Health Colorado from the wind-down of CoverColorado, the state's former high-risk insurance pool, that is scheduled to be transferred in March 2015. Instead, this funding will be sent to a non-profit organization selected by the board of CoverColorado.

Effective Date

The bill was postponed indefinitely by the House Health, Insurance, and Environment Committee on January 29, 2015.

State Appropriations

The bill requires appropriations totaling \$3,460,646 for FY 2015-16, as follows:

- \$3,425,799 to HCPF, split evenly between the General Fund and federal funds, and an allocation of 2.0 FTE, of which this entire amount is reappropriated to OIT; and
- \$34,847 to DORA from the Division of Insurance Cash Fund and an allocation of 0.5 FTE.

State and Local Government Contacts

Health Care Policy and Financing
Regulatory Agencies

Office of Information Technology
Health Benefit Exchange