


 Colorado *Legislative Council Staff*
STATE and LOCAL
FISCAL IMPACT

Drafting Number: LLS 06-0856
Prime Sponsor(s): Sen. Johnson
 Rep. Romanoff

Date: March 20, 2006
Bill Status: Senate Health and Human Services
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TITLE: CONCERNING CONTRACTUAL AGREEMENTS WITH HEALTH CARE PROVIDERS TO PROVIDE HEALTH CARE SERVICES.

Fiscal Impact Summary	FY 2006/07	FY 2007/08
State Revenues		
General Fund	(\$30,908)	
Cash Funds - Division of Insurance Cash Fund	30,908	
State Expenditures		
Cash Funds - Division of Insurance Cash Fund	\$30,908	
Cash Funds Exempt - Transfer to Department of Law*	12,890	
FTE Position Change	0.2 FTE	0.0 FTE
Effective Date: Unless a referendum petition is filed, the bill will take effect August 9, 2006, assuming the General Assembly adjourns on May 10, 2006.		
Appropriation Summary for FY 2006/07:		
Department of Regulatory Agencies: \$30,908 CF and 0.2 FTE		
Department of Law*: \$12,890 CFE		
Local Government Impact: See the Local Government Impact section of the fiscal note.		

**This amount is included in the Division of Insurance Cash Fund expenditure.*

Summary of Legislation

This bill requires any person or entity that contracts for health care services on or after January 1, 2008, to use a standard contract. The Insurance Commissioner must promulgate the contract after consulting with a 9-member advisory panel. The standard contract must include the following:

- identification of all payers and products;
- identification of who is responsible to make payment to the provider;
- the duration of the contract;
- a termination clause for either party;
- the compensation to be paid to the provider;
- limits to modifications of the contract; and
- disclosure of dispute resolution procedures.

In addition, the bill prohibits discrimination or retaliation against a health care provider for using the standard contract or requiring a provider to waive certain rights. Violations are considered an unfair trade practice and subject to certain penalties.

State Revenues

General Fund revenue is anticipated to decrease \$30,908 in FY 2006-07, and Division of Insurance Cash Fund revenue will increase by a corresponding amount. The Department of Regulatory Agencies, Division of Insurance, is funded from a diversion of premium tax revenue that would otherwise be credited to the General Fund. Since this bill requires increased expenditures from the Division of Insurance Cash Fund, a corresponding negative General Fund revenue impact is expected.

In addition, retaliation or discrimination against a health care provider who asserts rights provided in the bill is considered an unfair trade practice and is punishable by a fine between \$100 and \$1,000 and/or up to 6-months imprisonment. Since the standardized contract is not required to be used until January 1, 2008, the fiscal note assumes that no penalty revenue will be collected until FY 2008-09.

State Expenditures

Total state expenditures are expected to increase \$30,908 for the Department of Regulatory Agencies, Division of Insurance, in FY 2006-07 only. Of the total, the Department of Law will receive a transfer of \$12,890.

Table 1. Anticipated Expenditures under SB06-198 FY 2006-07 Only	
	FY 2006/07
Personal Services	\$18,018
FTE	0.2
Legal Expenses	12,890
Total Expenses	\$30,908

Department of Regulatory Agencies, Division of Insurance. The division will incur costs to organize, manage, and review the work of the advisory panel and to promulgate a complex rule to establish a standard provider contract. This work is expected to require 500 hours in FY 2006-07 only. Legal services (200 hours) are also anticipated to ensure that the advisory panel and the rule comply with state and federal laws.

Department of Law. The department will provide legal services to both the advisory panel and the Division of Insurance to assist in the establishment of a standard provider contract. The fiscal note anticipates the need for 200 hours of legal services in FY 2006-07 only ($\$64.45 \times 200 = \$12,890$).

In addition, the department is responsible for enforcing the Unfair Practices Act. However, claims would not occur until calendar year 2008, and only a small number of violations is expected. Thus, the fiscal note assumes that any change in workload can be met within existing resources.

Judicial Branch. Violations of the Unfair Practices Act may result in additional cases filed with the courts. However, the fiscal note anticipates a low number of additional cases, and no need for additional resources for the Judicial Branch.

Local Government Impact

The penalty for an unfair trade practice is up to six months imprisonment in a county jail, a fine of \$100 to \$1,000, or both. Because the courts have the discretion of incarceration or imposing a fine, the impact at the local level cannot be determined. The cost to house an offender in county jails varies from \$45 to \$50 per day in smaller rural jails to \$62 to \$65 per day for larger Denver-metro area jails. For the current fiscal year, the state reimburses county jails a daily rate of \$47.42 to house state inmates. It is assumed that the impact of this new misdemeanor will be minimal and will not create the need for additional county jail space.

State Appropriations

For FY 2006-07, the fiscal note indicates that the Department of Regulatory Agencies should receive an appropriation of \$30,908 and 0.2 FTE from the Division of Insurance Cash Fund. Out of those funds, the Department of Law should receive an appropriation of \$12,890 cash funds exempt.

Departments Contacted

Regulatory Agencies

Law

Judicial