

Colorado Legislative Council Staff

STATE
FISCAL IMPACT

Drafting Number: LLS 06-0144
Prime Sponsor(s): Sen. Tapia
 Rep. Butcher

Date: January 10, 2006
Bill Status: Senate Health and Human Services
Fiscal Analyst: Amy Larsen (303-866-3488)

TITLE: CONCERNING A STUDY TO ANALYZE FACTORS THAT DRIVE THE COST OF HEALTH CARE WITHIN PUEBLO COUNTY.

Fiscal Impact Summary	FY 2005/2006	FY 2006/2007	FY 2007/2008
State Revenues			
General Fund	(\$6,757)	(\$20,904)	
Cash Fund - Division of Registrations		20,496	\$81,984
State Expenditures			
General Fund		\$58,708	
Cash Fund - Division of Insurance	\$6,757	20,904	
Cash Fund - Division of Registrations		101,740	
FTE Position Change		0.0 FTE	0.0 FTE
Effective Date: Upon signature of the Governor.			
Appropriation Summary for FY 2005/2006:			
Department of Regulatory Agencies:	\$ 6,757 CF		
Appropriation Summary for FY 2006/2007:			
Department of Public Health and Environment:	\$ 58,708 GF		
Department of Regulatory Agencies:	\$122,644 CF		
Local Government Impact: None.			

Summary of Legislation

This Interim Committee on Health Insurance bill requires the Department of Regulatory Agencies, Division of Insurance, to conduct a study of the factors that drive health insurance costs for individuals and groups in Pueblo County. The Insurance Commissioner must submit a report to numerous members of the General Assembly no later than January 15, 2008.

In addition, the bill directs the Division of Registrations to survey all health care professionals serving consumers in Pueblo County and directs the Department of Public Health and Environment to survey all health facilities in the county. The Division of Insurance may contract with a nonprofit organization to analyze the data collected by the Department of Public Health and Environment, the Division of Registrations, and the Division of Insurance and prepare a report of the analysis.

Note: While the bill directs the Division of Insurance to conduct a study of factors that drive health insurance costs in Pueblo County, it also directs the Division of Registrations to survey all licensed health care professionals who provide services to consumers in the county. **Since a resident of Pueblo may receive health care services in another county, the fiscal note anticipates a statewide survey to reach all potential health care professionals.**

State Revenues

General Fund revenue is anticipated to decrease \$6,757 in the current fiscal year. In FY 2006-07, state revenues are expected to decrease by a net of \$408. Of the total, \$20,904 is a General Fund decrease and \$20,496 is a cash fund increase. Following is a description of these changes.

The bill is estimated to require a one-time increase in fee revenue to the Division of Registrations Cash Fund of \$20,496 in FY 2006-07 and \$81,984 in FY 2007-08 to offset the costs associated with surveying an estimated 122,000 licensed health professions across the state. Pursuant to Section 2-2-322, C.R.S., which requires legislative service agency review of legislative measures which include the creation or increase of any fee collected by a state agency, the following analysis is provided.

Table 1.					
Fee Impact on Individuals, Families or Business					
Type of Fee	Current Fee	Proposed Fee	Fee Change	# of Affected Individuals	Total Fee Impact
License fees for various health professionals - 20% in FY 2006-07	\$34 - \$38		\$0.85	24,400	\$20,496
License fees for various health professionals - 80% in FY 2007-08	\$34 - \$38		\$0.85	97,600	\$81,984
Total					\$102,480

The bill also increases one-time costs in the Department of Regulatory Agencies, Division of Insurance, which are funded from a diversion of premium tax revenue that would otherwise be credited to the General Fund. As a result, state General Fund revenues are anticipated to decrease \$6,757 in FY 2005-06 and \$20,904 in FY 2006-07. These moneys will instead be credited to the Division of Insurance Cash Fund.

State Expenditures

In the current fiscal year, the bill is estimated to increase state expenditures by \$6,757. These costs will be paid from the Division of Insurance Cash Fund. In FY 2006-07, state expenditures are expected to increase \$181,352. Of the FY 2006-07 total, \$20,904 is Division of Insurance Cash

Fund, \$101,740 is Division of Registrations Cash Fund, and \$58,708 is General Fund for the Department of Public Health and Environment. Following is a description of these expenditures.

Table 2. Expenditure Detail		
	FY 2005/06	FY 2006/07
Division of Insurance - Personal Services	\$6,757	\$20,904
Division of Registrations - Mailing Expenses		\$101,740
Subtotal Department of Regulatory Agencies	\$6,757	\$122,644
Department of Public Health and Environment - Personal Services & Operating		\$58,708
Total Expenses	\$6,757	\$181,352

Department of Regulatory Agencies, Division of Insurance. The bill requires the Insurance Commissioner to convene a meeting of all interested parties by June, 15, 2006. At the meeting, the commissioner must be prepared to discuss the data to be collected, the method and time frames for collection and the objectives and standards for analysis. These requirements are expected to require 190 hours of staff time spread across numerous employees resulting in personal services expenses of \$6,757 in FY 2005-06.

The bulk of the work related to this bill is anticipated in FY 2006-07. The division expects to identify sources to access required data, to determine how to collect the data, to create an online survey tool to collect required data from insurance carriers, to oversee data collection, and to review and cleanse the data. These one-time activities are expected to take 750 hours of staff time spread across numerous employees resulting in personal services expense of \$20,904.

The fiscal note assumes that a nonprofit organization will analyze the data and prepare a report for the commissioner as allowed in the bill. If a nonprofit is not identified to complete this work, additional expenses would be expected.

Department of Regulatory Agencies, Division of Registrations. The bill directs the division to survey each licensed health care professional concerning charges billed to insurers and consumers in Pueblo County. Since a provider outside of Pueblo County may have patients in the county, the fiscal note assumes that all health professionals statewide (122,000) will be surveyed. An initial survey mailing and follow-up postcard are expected to cost \$93,940 (122,000 x \$0.77). A 16 percent return is anticipated, or 20,000 responses, resulting in additional postage costs of \$7,800 (20,000 x \$0.39). The total cost of mailing the survey to health professionals is estimated at \$101,740 in FY 2006-07.

Department of Public Health and Environment. The bill directs the department to survey all licensed health facilities in Pueblo County for charges billed to health insurers and consumers. The fiscal note anticipates that the department will hire contractors to design the survey (80 hours) and to review and cleanse returned data (400 hours) at a cost of \$54,400 due to the high level of skill and knowledge in data quality, statistics and medical billing practices required. In addition, 170 hours of administrative assistant time is expected to coordinate the survey mailing, respond to

facility questions, collect survey responses, and contact facilities to assure survey completion. Additional expenses include project oversight (60 hours = \$4,274) and mailing to 68 facilities (\$34). Total one-time costs for the department of \$58,708 in FY 2006-07 are anticipated.

State Appropriations

For FY 2005-06, the fiscal note indicates that the Department of Regulatory Agencies, Division of Insurance, should receive an appropriation of \$6,757 cash funds from the Division of Insurance Cash Fund.

For FY 2006-07, the fiscal note indicates that the following appropriations are appropriate:

- Department of Regulatory Agencies - \$20,904 cash funds from the Division of Insurance Cash Fund;
- Department of Regulatory Agencies - \$101,740 cash funds from the Division of Registrations Cash Fund: and
- Department of Public Health and Environment - \$58,708 General Fund.

Departments Contacted

Public Health and Environment

Regulatory Agencies