



Legislative
Council Staff

Nonpartisan Services for Colorado's Legislature

HB 19-1233

**FINAL
FISCAL NOTE**

Drafting Number: LLS 19-0915 **Date:** August 2, 2019
Prime Sponsors: Rep. Froelich; Caraveo **Bill Status:** Signed into Law
 Sen. Ginal; Moreno **Fiscal Analyst:** Max Nardo | 303-866-4776
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Bill Topic: INVESTMENTS IN PRIMARY CARE TO REDUCE HEALTH COSTS

Summary of Fiscal Impact:

<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
<input checked="" type="checkbox"/> State Diversion	<input checked="" type="checkbox"/> Statutory Public Entity (<i>minimal</i>)

The bill creates a primary care payment reform collaborative in the Department of Regulatory Agencies to make recommendations for primary care payment reform, and directs the Commissioner of Insurance to promulgate rules establishing affordability standards and targets for carrier investments in primary care. It increases state expenditures and diverts money from the General Fund on an ongoing basis.

Appropriation Summary: For FY 2019-20, the bill requires and includes an appropriation of \$109,679 to the Department of Regulatory Agencies.

Fiscal Note Status: The fiscal note reflects the enacted bill.

**Table 1
State Fiscal Impacts Under HB 19-1233**

		FY 2019-20	FY 2020-21
Revenue		-	-
Expenditures	Cash Funds	\$109,679	\$49,509
	Centrally Appropriated	\$6,594	\$4,945
	Total	\$116,273	\$54,454
	Total FTE	0.4 FTE	0.3 FTE
Diversions	General Fund	(\$116,273)	(\$54,454)
	Cash Funds	\$116,273	\$54,454
	Total	\$0	\$0
TABOR Refund		-	-

Summary of Legislation

The bill establishes a primary care payment reform collaborative in the Department of Regulatory Agencies (DORA). The collaborative will consist of representatives of several entities involved with health care financing and delivery, as outlined by the bill. Among other responsibilities, the collaborative is directed to advise in the development of affordability standards and targets for carrier investments in primary care, and report on current health insurer practices that direct greater resources toward innovation and improvement in primary care delivered by practices that are patient-centered medical homes. The collaborative will convene by July 15, 2019, and will publish primary care payment reform recommendations each year by December 15. DORA is authorized to accept gifts, grants, and donations to support the collaborative. The collaborative is repealed September 1, 2025, following a sunset review.

The bill creates several standards and targets related to primary care spending. The Commissioner of Insurance is required to promulgate rules establishing affordability standards, which must include targets for carrier investments in primary care. It requires insurance carriers that offer state employee health benefit plans and the Department of Health Care Policy and Financing (HCPF) to consider the recommendations of the collaborative and to adopt targets for investments in primary care in alignment with the standards set by the commissioner, except that targets do not apply to plans offered by certain nonprofit health management organizations, as defined in the bill.

The administrator of the all-payer health claims database must provide an annual primary care spending report to the commissioner for use by the collaborative beginning August 31, 2019. The report must include, among other things, the percentage of medical expenses allocated to primary care for various payers.

State Revenue and Diversions

The bill diverts up to \$116,273 from the General Fund in FY 2019-20 and up to \$54,454 in FY 2020-21. This revenue diversion occurs because the bill increases costs in the Division of Insurance in DORA, which is funded with premium tax revenue that would otherwise be credited to the General Fund. DORA is authorized to accept gifts, grants, and donations to support the collaborative; no sources have been identified as of this writing.

State Expenditures

The bill will increase state cash fund expenditures by \$116,273 and 0.4 FTE in FY 2019-20 and \$54,454 and 0.3 FTE in FY 2020-21 and future years until the collaborative is repealed. Expenditures are shown in Table 2 and discussed below.

**Table 2
Expenditures Under HB 19-1233**

	FY 2019-20	FY 2020-21
Department of Regulatory Agencies		
Personal Services	\$32,299	\$24,224
Operating Expenses and Capital Outlay Costs	\$380	\$285
Data Purchases from All-payer Health Claims Database	\$25,000	\$25,000
Actuarial Contractor	\$52,000	-
Centrally Appropriated Costs*	\$6,594	\$4,945
Total Cost	\$116,273	\$54,454
Total FTE	0.4 FTE	0.3 FTE

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

Department of Regulatory Agencies. The Division of Insurance in DORA requires 0.3 FTE to provide ongoing staff support to the collaborative, which includes analyzing data from the all-payer claims database, facilitating meetings, and serving as the primary drafter of the annual report on primary care payment reform recommendations. An annual data purchase from the all-payer health claims database will be required to inform the work of the collaborative at a cost of \$25,000. For FY 2019-20 only, an additional 0.1 FTE of staff time and 160 hours of an actuarial contractor at \$325 per hour (\$52,000) will be needed to assist in developing affordability standards and preparing the first annual report.

Health Care Policy and Financing. HCPF is in the process of performing payment reform for Medicaid; it is assumed that any additional workload to make these reforms align with standards set by the commissioner will be minimal. Insurance carriers that offer Child Health Plan Plus (CHP+) plans will be required to adopt targets for investments in primary care, but this is not expected to increase costs to HCPF.

State employee insurance. Insurance carriers that offer health benefit plans to state employees will be required to adopt targets for investments in primary care, which may require administrative workload or expenditures. Any cost increase could contribute to higher insurance premiums, which may increase costs for state agencies. Because insurance rates are influenced by a number of variables, the impact of this bill on premiums cannot be determined.

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. These costs, which include employee insurance and supplemental employee retirement payments, are estimated to be \$6,594 in FY 2019-20 and \$4,945 in FY 2020-21.

Statutory Public Entity Impact

All-payer health claims database. The administrator of the database will experience an increase in workload to create the annual primary care spending report and to provide other data to the collaborative.

Effective Date

The bill was signed into law by the Governor and took effect on May 16, 2019.

State Appropriations

For FY 2019-20, the bill requires and includes an appropriation of \$109,679 to the Department of Regulatory Agencies from the Division of Insurance Cash Fund and an allocation of 0.4 FTE.

State and Local Government Contacts

Colorado Health Benefit Exchange
Information Technology
Regulatory Agencies

Health Care Policy and Financing
Personnel