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FISCAL NOTE

Drafting Number: LLS 19-0421
Prime Sponsors: Sen. Donovan, Rep. Roberts

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Bill Status: Senate HHS
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Bill Topic: ADDRESS HIGH-COST HEALTH INSURANCE PILOT PROGRAM

- Summary of Fiscal Impact: State Revenue, State Expenditure, State Transfer, TABOR Refund, Local Government, Statutory Public Entity

This bill requires the Department of Personnel and Administration to explore and, if feasible, develop and implement a one-year pilot program in Eagle and Garfield counties to provide access to 100 individuals to participate in group medical benefit plans offered to state employees for the 2019-20 plan year.

Appropriation Summary: In the current FY 2018-19, the bill requires an appropriation of \$6,800 to the Department of Personnel and Administration.

Fiscal Note Status: This fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under SB 19-004

Table with 4 columns: Category, FY 2018-19 (current year), FY 2019-20, FY 2020-21. Rows include Revenue, Expenditure (General Fund), Transfer, and TABOR Refund.

## **Summary of Legislation**

This bill requires the Department of Personnel and Administration (DPA) to explore and, if feasible, develop and implement a one-year pilot program in Eagle and Garfield counties to provide access to 100 individuals to participate in group medical benefit plans (not including dental or vision coverage) offered to state employees for the 2019-20 plan year.

To be eligible for the pilot program, an individual must reside in the portions of Eagle or Garfield counties within the service area of the group medical benefit plans offered through the pilot program and have a household income between 400 and 500 percent of the federal poverty line (FPL).

The bill also modernizes laws authorizing health care cooperatives in the state to incorporate consumer protections and collective rate negotiations.

## **Background**

**State of Colorado health insurance plans.** The State of Colorado, as an employer, currently has four insurance plans. These include a self-insured high-deductible health plan and co-pay medical plan through United Healthcare, and a fully-insured high-deductible health plan and co-pay medical plan through Kaiser Permanente. Each plan has different premiums and coverage levels. The premiums are split between the State of Colorado and the employee. State employees that participate in the group benefits plan have monthly contributions deducted from their paychecks, with both employees and employer contributions collected and managed in the Group Benefits Plan Reserve Fund administered by DPA. The fund is used to pay all costs associated with the plans and to implement policies with a goal of minimizing premium increases to the state and employees to the extent feasible.

**Affordable Care Act.** Under the federal Affordable Care Act, persons with incomes between 133 and 400 percent of the FPL qualify for advanced premium tax credits to offset the cost of purchasing insurance through the state's health insurance exchange, Connect for Health Colorado. Persons with incomes above 400 percent of the FPL must pay the whole premium amount without assistance. Insurance premiums through Connect for Health Colorado vary by age, family size, tobacco use, and place of residence. As of December 2018, approximately 195,000 individuals were covered through a health plan purchased through Connect for Health Colorado.

## **Assumptions**

The fiscal note assumes that a one-year pilot program will be determined to be feasible. It assumes that health insurance premiums will be paid directly to the insurance company by pilot program participants, resulting in no state revenue increase. It is assumed that temporary DPA staff will determine participant eligibility and that the health insurance provider will administer the insurance for participants, which includes collecting premiums, ensuring HIPPA compliance, and processing benefits claims.

Based on preliminary estimates prepared by DPA, in consultation with Kaiser Permanente, Table 2 outlines potential monthly premium rates for pilot program participants; estimates from United Healthcare were not available at the time of writing. Rates shown in Table 2 reflect preliminary FY 2019-20 state employee premium rates, plus \$522.92 per month, which represents an

estimated \$627,500 increase in provider premium costs for the pilot program, divided by 100 participants and again by 12 for the monthly rate. Actual premiums will vary depending upon the number of enrolled participants, household size, and their selection of benefits.

**Table 2  
Preliminary Estimates of Pilot Program Premiums Under SB 19-004**

<b>Kaiser Permanente Health Plans by Tier</b>	<b>Estimated Monthly Rate for Pilot Program</b>
<b>KP High Deductible Health Plan</b>	
Tier 1 - Participant	\$1,071.78
Tier 2 - Participant + Spouse	\$1,648.26
Tier 3 - Participant + Child(ren)	\$1,543.84
Tier 4 - Family	\$2,120.26
<b>KP Co-Pay Plan</b>	
Tier 1 - Participant	\$1,194.44
Tier 2 - Participant + Spouse	\$1,904.26
Tier 3 - Participant + Child(ren)	\$1,774.88
Tier 4 - Family	\$2,485.84

*Source: Department of Personnel and Administration.*

Costs identified in this fiscal note are specific to a short-term and temporary pilot program involving 100 individuals. It is assumed that leveraging the state group benefit health plans on a long-term basis for a larger population would likely cause increased premiums for state employees and/or future participants. These costs are outside the scope of the bill and have not been addressed.

**State Expenditures**

In the current FY 2018-19, the bill will increase one-time expenditures in DPA by \$6,800 from the General Fund. Beginning in FY 2019-20, the Division of Insurance (DOI) in the Department of Regulatory Agencies will have a potential workload increase related to health care cooperatives. These impacts are shown in Table 3 and described below.

**Table 3  
Expenditures Under SB 19-004**

	<b>FY 2018-19 (current year)</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>
<b>DPA</b>			
Contract Services	\$6,800	-	-
<b>Total Cost</b>	<b>\$6,800</b>	-	-

**Department of Personnel and Administration.** In the current fiscal year, DPA will perform a feasibility study in collaboration with the state's existing insurance carriers. If the pilot program is determined to be feasible, DPA will work to develop and implement the program to allow for eligible participants to complete enrollment for the FY 2019-20 group medical benefit plan. Because the scope of the pilot program is limited, this workload can be accomplished within existing resources.

*Contract services.* To support eligibility determination, DPA will hire temporary staff for one month (160 hours) at the hourly rate of \$42.50. The temporary staff will serve as the eligibility and enrollment specialist. If it is determined that the insurance carrier will manage eligibility and enrollment, this temporary staff will not be required.

*Rulemaking and outreach.* DPA will establish rules, technical guidance, and documentation to fairly determine eligibility for potential participants based on the criteria outlined in the bill and to assist in the enrollment and administration of health insurance coverage. DPA will also be required to complete education and outreach to inform potential program participants within Eagle and Garfield counties. These workload increases can be accomplished within existing appropriations.

*Potential expenditures.* If pilot program participants are high users of healthcare, these costs may require payments from the Group Benefits Plan Reserve Fund, which would necessitate General Fund backfill. If participants are eligible for COBRA coverage at the conclusion of the program, costs will also increase. The fiscal note assumes that DPA will use the annual budget process if additional expenditures are required.

**Division of Insurance.** Workload will minimally increase in DOI in the current fiscal year to advise DPA as necessary. On an ongoing basis, DOI may have additional workload to the extent that the modernization of the health care cooperative statutes encourages their use.

## **Effective Date**

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

## **State Appropriations**

In the current FY 2018-19, the bill requires a General Fund appropriation of \$6,800 to the Department of Personnel and Administration.

## **State and Local Government Contacts**

Colorado Health Benefit Exchange  
Information Technology  
Personnel

Health Care Policy and Financing  
Law  
Regulatory Agencies