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Fiscal Note

Drafting Number: LLS 21-0651 Date: February 22, 2021
Prime Sponsors: Rep. Ricks, Sen. Gardner Bill Status: House Health & Insurance
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Bill Topic: ADD HMOS TO LIFE AND HEALTH INSURANCE PROTECTION ASSN

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

The bill adds health maintenance organizations as members of the Colorado Life and Health Insurance Protection Association, and allocates responsibility for long-term care insurance assessments between health insurance and life insurance companies.

Appropriation Summary: No appropriation is required.

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

Summary of Legislation

The bill adds health maintenance organizations (HMOs) as members of the Colorado Life and Health Insurance Protection Association. It requires the board of the association to develop a methodology to allocate assessments for long-term care insurance written by an impaired or insolvent insurer between health insurance and life insurance companies. The size of the board is increased from a minimum of five to a minimum of seven and a maximum of nine to a maximum of eleven members. The bill makes the collection of a surcharge on health insurance premiums to recoup assessments voluntary rather than mandatory.

Background

Colorado Life and Health Insurance Protection Association. The association is a nonprofit organization composed of member companies that sell annuities, life insurance, or health insurance in Colorado. Companies selling these insurance products in Colorado are required to be members as a condition of licensure. The formation of the association was specifically authorized by law in 1991 to protect people that hold these policies when the insurers issuing the policies become impaired or insolvent. The association charges annual fees to its members and makes assessments, which are used to pay claims to Colorado residents when the insurer that issued such a policy cannot pay the claims.

## **State Expenditures**

The bill increases workload in the Division of Insurance in the Department of Regulatory Agencies to provide oversight of the association and approve of the assessment methodology for member insurers. Currently, 18 HMOs are operating in Colorado. Of these, several are exempt from the requirements of the bill as foreign companies or writing Medicare Supplement policies only. The increase in workload is expected to be minimal; as such, no change in appropriations is required.

## **Effective Date**

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

## **State and Local Government Contacts**

Regulatory Agencies