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Final Fiscal Note

Drafting Number: LLS 21-0170 Date: August 3, 2021
Prime Sponsors: Sen. Smallwood Bill Status: Signed into Law
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Bill Topic: SMALL GROUP HEALTH INSURANCE PLAN RENEWAL

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

The bill allows an employer to continue to purchase small-group health insurance after no longer meeting the definition of small employer, so long as the employer renews its existing plan. It increases state workload in FY 2021-22 only.

Appropriation Summary: No appropriation is required.

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

Summary of Legislation

The bill allows an employer to continue to purchase small-group health insurance after growing to the point of no longer meeting the definition of small employer so long as the employer renews its existing health insurance plan. If the employer opts to renew the small group health insurance plan, the insurance carrier is required to offer the same plan, or if that plan is no longer offered to any small employer, a similar plan. In these instances, state rules governing small-group health insurance continue to apply.

The bill requires insurance carriers, upon learning that an employer employs more than 100 employees, to notify them that small-group insurance laws and rules will no longer apply to them if they fail to renew their current small-group health insurance plan.

Background

There are three primary health insurance market segments that are subject to state regulation through the Division of Insurance in the Department of Regulatory Agencies: the individual, small-group employer-based, and large-group employer-based markets, with the exception of self-insured employers. Small-group regulation applies to employers with 99 or fewer employees; large-group

regulation to employers with 100 or more. In 2019, about 1 million Coloradans received coverage from health insurance plans under the jurisdiction of the Division of Insurance, as shown in Table 2.

Table 2
2019 Health Insurance Coverage by Market Segment

Market Segment	Covered Lives
Individual	204,138
Small Group	266,783
Large Group	579,169
Total Covered Lives	1,050,090

Source: 2019 Health Insurance Cost Report, Division of Insurance

State Expenditures

The Division of Insurance will need to update its rules to reflect this change in law. The required workload is minimal and can be accomplished within existing appropriations. Some employers may purchase small-group plans that would otherwise have purchased large-group plans; this difference does not result in an appreciable change in workload for the division.

Effective Date

The bill was signed by the Governor on March 25, 2021, and takes effect on September 7, 2021, assuming no referendum petition is filed.

State and Local Government Contacts

Colorado Health Benefit Exchange

Regulatory Agencies