



**Colorado
Legislative
Council
Staff**

SB17-003

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 17-0401

Date: January 26, 2017

Prime Sponsor(s): Sen. Smallwood
Rep. Neville P.

Bill Status: Senate Finance

Fiscal Analyst: Bill Zepernick (303-866-4777)

BILL TOPIC: REPEAL COLORADO HEALTH BENEFIT EXCHANGE

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019	FY 2019-2020
State Revenue	\$0	At least \$5,000,000	\$5,000,000
<i>Revenue change</i>			
General Fund	0	At least 5,000,000	5,000,000
<i>State Diversions</i>			
General Fund	(43,186)	(38,483)	(38,483)
Cash Funds	43,186	38,483	38,483
State Expenditures	\$2,563,133	\$1,525,498	\$186,991
General Fund	896,858	515,711	44,245
Cash Funds	193,958	136,486	48,835
Federal Funds	1,444,805	815,188	61,435
Centrally Appropriated Costs	27,512	58,113	32,476
TABOR Impact	\$0	At least \$5,000,000	\$5,000,000
FTE Position Change	2.1 FTE	4.5 FTE	2.5 FTE
Appropriation Required: \$2.5 million - Multiple agencies (FY 2017-18).			
Future Year Impacts: Ongoing state expenditure increase.			

Summary of Legislation

This bill repeals the state's health insurance exchange, Connect for Health Colorado, on January 1, 2018. Under the bill, Connect for Health Colorado has one year to wind-down its operations by December 31, 2018, at which point the board of Connect for Health Colorado must transfer any unencumbered funds to the State Treasurer to deposit in the General Fund. With the repeal of Connect for Health Colorado, the bill also repeals the legislative oversight committee for the health exchange and the premium tax credit for contributions made to Connect for Health Colorado.

Background

Connect for Health Colorado is the state's health insurance exchange established in response to federal health care reform under the Patient Protection and Affordable Care Act (PPACA). Through Connect for Health Colorado, consumers can shop for health insurance and determine eligibility for federal tax subsidies for the purchase of health insurance or other public health programs. Under the PPACA, states may establish state-based health insurance exchanges or participate in a federally operated health exchange.

Assumptions

Barring a change in federal law, this fiscal note assumes that provisions of the federal PPACA requiring states to establish a state exchange or participate in a federally operated exchange remain in effect. Therefore, the fiscal note reflects the state's costs to transition to the federal health insurance exchange (healthcare.gov). This fiscal note will be updated as needed if modifications to federal law or regulations require a change in this assumption.

State Revenue

The bill will increase state General Fund revenue by \$5.0 million per year beginning in FY 2018-19 from elimination of the premium tax credit for contribution to Connect for Health Colorado. Additional one-time General Fund revenue may potentially be received in FY 2018-2019 from transferring any remaining unencumbered moneys held by Connect for Health Colorado to the General Fund on December 31, 2018. The bill also diverts moneys from the General Fund beginning in FY 2017-18, as described below.

Premium tax credit. The bill repeals the premium tax credit that insurance carriers may claim for donations made to Connect for Health Colorado, which will increase General Fund revenue by \$5.0 million per year beginning in FY 2018-19. This premium tax credit is capped at \$5.0 million per year, and has been fully claimed since it became available in 2013.

Transfer of Connect for Health Colorado funds. The bill will result in a transfer to the General Fund of unencumbered funds from Connect for Health Colorado. The exact amount of this fund transfer cannot be estimated at this time and will depend on the exact costs and revenue impacts experienced by Connect for Health as it winds down operations. In addition, while the bill requires the transfer to occur on December 31, 2018, the fiscal note assumes it would need to occur later in FY 2018-19, or possibly in FY 2019-20 so that Connect for Health has sufficient time to wind down its operations following the end of the 2018 plan year (See Technical Note section). Assuming Connect for Health Colorado has a wind-down period after January 1, 2019, it will not be receiving new revenue during this period and will draw down from its existing cash balance accrued during 2018, which will limit the amount available for transfer to the General Fund.

State diversions. This bill diverts \$43,186 from the General Fund in FY 2017-18 and \$38,483 in FY 2018-19 and future years. This revenue diversion occurs because the bill increases costs in the Department of Regulatory Agencies (DORA), Division of Insurance, which is funded with premium tax revenue that would otherwise be credited to the General Fund.

TABOR Impact

This bill increase revenue to the General Fund from premium taxes and a potential one-time transfer of funds from Connect for Health Colorado, which will increase the amount of money required to be refunded under TABOR beginning in FY 2018-19. TABOR refunds are paid out of the General Fund. Since the bill increases both revenue to the General Fund and the refund obligation by equal amounts, there is no net impact on the amount of money available in the General Fund for the budget.

State Expenditures

The bill increases state costs by \$2.6 million and 2.1 FTE in FY 2017-18; \$1.5 million and 4.5 FTE in FY 2018-19; and \$186,991 and 2.5 FTE in FY 2019-20. These costs are in the Department of Health Care Policy and Financing (HCPF) for computer system changes conducted by the Office of Information Technology (OIT) and in DORA for staffing costs in the Division of Insurance. Costs in HCPF are primarily split between General Fund, the Hospital Provider Fee Cash Fund, and federal funds; DORA costs are paid from the Division of Insurance Cash Fund. The bill will also reduce workload in the Legislative Department associated with the Legislative Health Insurance Exchange Oversight Committee. These costs are discussed below and summarized in Table 1.

Table 1. Expenditures Under SB 17-003			
Cost Components	FY 2017-18	FY 2018-19	FY 2019-20
Department of Regulatory Agencies	<u>\$43,186</u>	<u>\$38,483</u>	<u>\$38,483</u>
Personal Services	31,170	31,170	31,170
FTE	0.5 FTE	0.5 FTE	0.5 FTE
Operating Expenses and Capital Outlay Costs	5,178	475	475
Centrally Appropriated Costs*	6,838	6,838	6,838
Department of Health Care Policy and Financing	<u>\$2,519,947</u>	<u>\$1,487,015</u>	<u>\$148,508</u>
Personal Services	98,561	241,940	120,970
FTE	1.6 FTE	4.0 FTE	2.0 FTE
Operating Expenses and Capital Outlay Costs	20,712	3,800	1,900
Computer System Changes	2,380,000	1,190,000	0
Centrally Appropriated Costs*	20,674	51,275	25,638
TOTAL	<u>\$2,563,133</u>	<u>\$1,525,498</u>	<u>\$186,991</u>

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

Division of Insurance (DORA). The Division of Insurance in DORA will require 0.5 FTE for staff to address consumer inquiries concerning the repeal of Connect for Health Colorado and transition to the federal health insurance exchange. Staff will also be required to work with insurance carriers and the federal government concerning the transition. Costs include \$31,170 for personal services and \$5,178 for standard operating and capital outlay expenses.

Department of Health Care Policy and Financing. HCPF will have costs totaling \$2.5 million for two main areas: policy and project management staff, and computer system changes to the Colorado Benefit Management System (CBMS) and the online application for public assistance (PEAK). These costs, which are split evenly between state funds (General Fund and cash funds) and federal funds, are described below. The exact funding sources are listed in the State Appropriations section.

Project and policy staff. To assist in the transition to the federal exchange and provide ongoing support following the transition, HCPF requires 1.6 FTE in FY 2017-18, 4.0 FTE in FY 2018-19, and 2.0 FTE in FY 2019-20. This staff is assumed to start on January 1, 2018. Half of the staff is temporary during the transition period. The personal services costs, as well as the standard operating expenses and capital outlay costs for these additional staff, are shown above in Table 1.

CBMS system changes. To transition to the federal health exchange, HCPF will have costs of \$3.6 million to make modifications to CBMS to integrate the state eligibility determination functions and allow data sharing with the federal exchange. This work will be conducted by the OIT using reappropriated funds from HCPF. The fiscal note assumes this work will span two fiscal years, with 67 percent of funds (\$2.4 million) spent in FY 2017-18 and 33 percent (\$1.2 million) spent in FY 2018-19. Work will also be required to remove the existing integration between Connect for Health Colorado and CBMS. These IT contractor costs are based on 25,400 hours of programmer time at the current contract rate of \$130 per hour.

Given the large size of this IT project, it cannot be absorbed in the existing annual appropriation for CMBS modifications (CBMS pool hours). If CBMS pool hours become available for some portion of this project, or if adjustments are required concerning the timing of the spending estimated in this fiscal note, it is assumed these changes will be requested by HCPF through the annual budget process.

Legislative Oversight Committee. The bill repeals the Legislative Health Insurance Exchange Oversight Committee, which will decrease workload for Legislative Council Staff and the Office of Legislative Legal Services. It will also decrease per diem and expense reimbursements to legislators attending the committee. Since the committee was originally funded out of the available appropriations for interim committees allocated by the Legislative Council, it is assumed that resources will be reallocated to support other interim committees as directed by the Legislative Council. Therefore, no change in appropriations is required.

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. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

Cost Components	FY 2017-18	FY 2018-19	FY 2019-20
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$15,887	\$33,641	\$18,843
Supplemental Employee Retirement Payments	11,625	24,472	13,633
TOTAL	\$27,512	\$58,113	\$32,476

Statutory Public Entity Impact

This bill requires Connect for Health Colorado to cease operations and transfer all its funds to the General Fund by December 31, 2018, as discussed in the State Revenue section. The fiscal note assumes that Connect for Health Colorado will continue to receive revenue from its existing revenue sources during the wind-down period and that it will operate the open enrollment period for 2018 health plans. In addition, Connect for Health Colorado will also be responsible for special enrollment periods and enrollment changes through December 31, 2018. People seeking to enroll in, or renew, health coverage plans will need to go through private insurance carriers and brokers, or through the federal exchange beginning with the 2019 open enrollment period.

Local Government Impact

The bill may increase workload for county departments of human services to answer questions and assist clients seeking to enroll in either Medicaid or private health insurance before, during, and after the transition to the federal health exchange.

Effective Date

The bill takes effect January 1, 2018, assuming no referendum petition is filed.

Technical Note

The bill requires Connect for Health Colorado to transfer any unencumbered funds to the State Treasurer on December 31, 2018. However, given the assumed timeline for transitioning to the federal exchange, Connect for Health Colorado will be required to be the marketplace for the 2018 plan year. Following the end of the plan year, Connect for Health Colorado will be required to conduct various close-out activities required by federal law in several areas, including data protection and retention. This will require Connect for Health to have available funds after the December 31, 2018, transfer date. The fiscal note is written to reflect a fund transfer date of June 30, 2019, to give Connect for Health Colorado six months to wind down its operations. An amendment to the bill is required to align the bill with this assumption.

State Appropriations

For FY 2017-18, the Department of Regulatory Agencies requires an appropriation of \$36,348 from the Division of Insurance Cash Fund and an allocation of 0.5 FTE;

For FY 2017-18, the Department of Health Care Policy and Financing requires the following appropriations, and an allocation of 1.6 FTE:

- \$98,561 for personal services, of which \$35,492 is General Fund, \$13,789 is from the Hospital Provider Fee Cash Fund, and \$49,281 is federal funds;
- \$20,712 for operating expenses, of which \$7,458 is General Fund, \$2,898 is from the Hospital Provider Fee Cash Fund, and \$10,356 is federal funds; and

- \$2,380,000 for CBMS system modifications, of which \$853,908 is General Fund, \$138,305 is from the Hospital Provider Fee Cash Fund, \$129 is from the Children Basic Health Plan Trust Fund, \$2,490 is from the Old Age Pension Fund, and \$1,385,168 is federal funds.

For FY 2017-18, the Office of Information Technology requires \$2,380,000 in reappropriated funds from the Department of Health Care Policy and Financing.

State and Local Government Contacts

Colorado Health Benefit Exchange
Health Care Policy And Financing
Legislative Council Staff
Personnel
Treasury

Counties
Information Technology
Legislative Legal Services
Regulatory Agencies