

Summary of Legislation

The bill creates the Health Care Cost Analysis Task Force in the Department of Health Care Policy and Financing (HCPF) to analyze and compare methods of financing health care in Colorado. The task force consists of 13 members, as specified by the bill, including legislators, state government officials, and gubernatorial appointees. The task force must select a contract analyst to provide a detailed analysis of the following health care financing systems:

- the current Colorado health care financing system;
- a multi-payer universal health care system in which all residents of Colorado are covered under a plan with a mandated set of benefits that is publicly and privately funded and also paid for by employer and employee contributions; and
- a publicly financed and privately delivered universal health care system that directly compensates providers;

Before preparing the analysis, the analyst must host at least three stakeholder meetings to determine the methodology to be used in the study. The analysis must model funding systems for each system studied, including options financed with General Fund, federal funds, and various state taxes, as listed by the bill. Among other things, each analysis may include:

- the first, second, fifth, and tenth year costs;
- the number of uninsured, underinsured, and at-risk insured individuals;
- health expenditures by payer, including coinsurance, deductibles, and copayments;
- analyses of provider payments and rates;
- modeling of potential funding systems;
- a description of how the system provides certain health services, as listed in the bill; and
- a review of existing literature regarding the certain collateral costs to society of high health care costs.

The actions required by the bill must be completed by the following dates:

- September 1, 2019, the members of the task force will be appointed;
- October 1, 2019, the task force will issue a competitive solicitation to select an analyst;
- January 1, 2021, the task force will submit a preliminary report to the General Assembly outlining the analyst's methodology for the study; and
- September 1, 2021, the task force will deliver to the General Assembly a final report of the task force's findings received from the analyst.

The bill states that the General Assembly may appropriate \$100,000 to HCPF to implement the bill in each FY 2019-20 and FY 2020-21. The task force is repealed September 1, 2022.

State Revenue

HCPF and the task force may utilize gifts, grants, or donations for the purposes of the study. No revenue source has been identified at this time. Gifts, grants, and donations are not subject to TABOR.

State Expenditures

For each FY 2019-20 and 2020-21, the bill states that the General Assembly may appropriate \$100,000 to implement the bill. However, the fiscal note estimates that implementing the bill would require increasing state General Fund expenditures by \$206,336 and 0.9 FTE in FY 2019-20, \$419,463 and 1.0 FTE in FY 2020-21, and \$128,776 and 0.3 FTE in FY 2021-22. These costs are shown in Table 2 and described below.

Table 2
Expenditures Under HB 19-1176

| Cost Components | FY 2019-20 | FY 2020-21 | FY 2021-22 |
|--|-------------------|-------------------|-------------------|
| Dept. of Health Care Policy and Financing | | | |
| Personal Services | \$70,278 | \$76,667 | \$19,166 |
| Operating Expenses and Capital Outlay Costs | \$5,653 | \$950 | \$285 |
| Task Force Reimbursement - non-legislative members | \$3,600 | \$3,600 | - |
| Contract Analyst | \$105,000 | \$315,000 | \$105,000 |
| Centrally Appropriated Costs* | \$14,137 | \$15,578 | \$4,325 |
| FTE – Personal Services | 0.9 FTE | 1.0 FTE | 0.3 FTE |
| HCPF (Subtotal) | \$198,668 | \$411,795 | \$128,776 |
| Legislative Department | | | |
| Legislator Per Diem and Reimbursement | \$7,351 | \$7,351 | - |
| Centrally Appropriated Costs* | \$317 | \$317 | - |
| Legislative Department (Subtotal) | \$7,668 | \$7,668 | - |
| Total | \$206,336 | \$419,463 | \$128,776 |
| Total FTE | 0.9 FTE | 1.0 FTE | 0.3 FTE |

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

Assumptions. While the bill specifies a list of components that may be included in the analysis, it requires the analyst to perform the analysis to the extent feasible within the appropriation and with gifts, grants, and donations, as prioritized by the task force. The costs presented in this fiscal note are an estimate of what is necessary to complete all components of the analysis.

Health Care Policy and Financing. The task force is housed within HCPF. Costs will include a contract analyst, staff support for the task force and analyst, and reimbursements for members of the task force.

Contract analyst. The bill requires a contract analyst to prepare a detailed analysis of at least three health care financing models. The bill specifies certain components that each analysis may contain. Based on recent health care studies of comparable scope, the fiscal note estimates that the final report will require up to 3,000 hours of consulting at a rate of \$175 per hour (up to \$525,000). Work will begin in FY 2019-20 after the task force is assembled and conclude in FY 2021-22 when the final report is submitted to the General Assembly. It is assumed that the majority (60 percent) of contractor costs will be incurred in FY 2020-21, as shown in Table 2. The

hourly cost is a blended rate consisting of a team of contract staff that include a project manager, actuary, research analyst, and business analyst. The analyst is required to host at least three stakeholder meetings to determine a methodology to be used in the study; the fiscal note assumes that these meetings and the methodology report can be accomplished within the total allocation of contractor hours and with support from staff hired for this project.

Staffing. The task force will require staff in order to support the contract analyst and coordinate the activity of the task force. This work will include assisting in the procurement of a contract analyst, facilitating task force meetings, responding to the analyst's data inquiries, providing information about the state's current health care financing system, and preparing two reports for the General Assembly. This work can be accomplished with 1.0 FTE, prorated to reflect the General Fund paydate shift in FY 2019-20 and a quarter year impact in FY 2021-22.

Task force reimbursements. The fiscal note assumes that the task force will meet approximately 8 times per year in FY 2019-20 and FY 2021-21. The 9 non-legislative members of the task force will be reimbursed for travel, lodging, and meals at an estimated \$400 each per year, for a total of \$3,600 each year.

Legislative Department. Members of the General Assembly will receive a per diem of \$110.73 and will be reimbursed for travel costs of \$119 per meeting. Estimated reimbursements total \$7,351 per year.

Other state agencies. The task force will include the Executive Directors of the Department of Human Services, Public Health and Environment, and HCPF, and the Commissioner of Insurance in the Department of Regulatory Agencies, or their designees. Reimbursements will be financed by HCPF. The fiscal note assumes that any other expenditures related to participation in the task force will be minimal.

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 \$14,454 in FY 2019-20, \$15,895 in FY 2020-21, and \$4,325 in FY 2021-22.

Statutory Public Entity

The CEO of the Connect for Health Colorado, the state's health benefit exchange, or their designee, will serve on the task force. As with state agencies, it is assumed that any workload or cost for this purpose will be minimal.

Effective Date

The bill was signed into law by the Governor and took effect on May 31, 2019.

State Appropriations

For FY 2019-20, the bill *requires* the following General Fund appropriations:

- \$184,531 to the Department of Health Care Policy and Financing, and an allocation of 0.9 FTE; and
- \$7,351 to the Legislative Department for member reimbursement and per diem.

For FY 2019-20, the bill *includes* the following General Fund appropriations:

- \$92,649 to the Department of Health Care Policy and Financing; and
- \$7,351 to the Legislative Department for member reimbursement and per diem.

Departmental Difference

HCPF estimates that it will have costs of \$457,992 and 1.3 FTE in FY 2019-20, \$460,636 and 1.5 FTE in FY 2020-21, \$86,823 and 1.5 FTE in FY 2021-22, and \$21,498 and 0.3 FTE in FY 2022-23 to implement the bill. This estimate includes 1.5 FTE of staff support from September 1, 2021, when the final report is submitted to the General Assembly, until September 1, 2022, when the task force is repealed. The fiscal note includes staff support until the final report is submitted, but assumes that no additional staff will be needed beyond this point, noting that the task force has the authority to secure grant funding if additional staff is desired. The HCPF estimate includes a total of 4,175 contractor hours to design the stakeholder process and methodology report, conduct meetings, synthesize stakeholder feedback, write the methodology report (1,125 hours for these tasks), and write the final report (3,050 hours), with contractor costs divided evenly between FY 2019-20 and FY 2020-21 and roll-forward authority of unexpended funds in year one to year two. The fiscal note assumes that the three stakeholder meetings and methodology report can be accomplished within the 3,000 hours allocated for the report with help from the 1.0 FTE of staff support included in the fiscal note. Also, the fiscal note assumes that no more than 20% of contractor costs will be needed in FY 2019-20.

State and Local Government Contacts

Connect for Health Colorado
Public Health and Environment
Health Care Policy and Financing

Human Services
Information Technology
Regulatory Agencies

Law
Counties
Governor