



## Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

# Final Fiscal Note

<b>Drafting Number:</b>	LLS 22-0020	<b>Date:</b>	August 18, 2022
<b>Prime Sponsors:</b>	Rep. Kennedy; Caraveo Sen. Ginal	<b>Bill Status:</b>	Signed into Law
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**Bill Topic:** PRIMARY CARE ALTERNATIVE PAYMENT MODELS

<b>Summary of Fiscal Impact:</b>	<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill requires the Division of Insurance in the Department of Regulatory Agencies to create, implement, and evaluate standards around the use of valued-based payments in the health insurance system. The bill will increase state expenditures beginning in FY 2022-23.

**Appropriation Summary:** For FY 2022-23, the bill requires and includes an appropriation of \$56,328 to the Department of Personnel and Administration.

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

**Table 1  
State Fiscal Impacts Under HB 22-1325**

		Budget Year FY 2022-23	Out Year FY 2023-24
<b>Revenue</b>		-	-
<b>Expenditures</b>	General Fund	\$56,328	\$329,171
	Centrally Appropriated	\$11,411	\$16,618
	<b>Total Expenditures</b>	<b>\$67,739</b>	<b>\$345,789</b>
	<b>Total FTE</b>	<b>0.7 FTE</b>	<b>1.0 FTE</b>
<b>Transfers</b>		-	-
<b>Other Budget Impacts</b>	General Fund Reserve	\$8,449	\$49,376

## **Summary of Legislation**

The bill requires the Division of Insurance (DOI) within the Department of Regulatory Agencies (DORA) to develop alternative payment model parameters by rule for primary care in the commercial health insurance market, in coordination with the Department of Health Care Policy and Financing (HCPF), the Department of Personnel and Administration (DPA), the Primary Care Payment Reform Collaborative (collaborative), and participating carriers and providers, in order to:

- optimize and create positive incentives for alignment between the commercial health insurance market and public payers;
- increase access to high quality care;
- improve health outcomes and patient and family engagement;
- increase provider satisfaction and retention; and
- increase primary care investment leading to increased health care value.

On an annual basis, the DOI is required to consider recommendations on the alternative payment model parameters and positive incentives, as specified in the bill. The alternative payment model parameters are required to:

- include risk-adjustment parameters;
- utilize patient attribution methodologies;
- include a set of core competencies focused on whole-person care delivery; and
- require an aligned quality measure set to include measures that are patient centered and informed.

**Alternative payment models.** Among other provisions, alternative payment models must ensure that significant financial risk for carriers is minimized when patient costs exceed what is expected, incentivize the integration of behavioral health services, and include prospective payments to providers for services including health promotion, care coordination, and patient education.

**Implementation.** For commercial health insurance plans issued or renewed beginning January 1, 2025, carriers are required to ensure that the alternative payment model parameters are incorporated into the alternative payment models for primary care. Certain managed care plans issued or renewed beginning January 1, 2025, are required to ensure that any alternative payment models for primary care incorporate the aligned quality measure set. The bill requires the DOI to:

- promulgate rules detailing the requirements for alternative payment model parameters alignment by December 1, 2023;
- once five years of data is available, analyze the data, produce a report on aggregated data across all carriers, subject to available appropriations, and present the findings at a SMART Act hearing; and
- retain a third-party contractor to design an evaluation plan for the implementation of the alternative payment models by carriers, as specified in the bill, and provide technical assistance to carriers.

Beginning in 2023, the collaborative is required to annually review the alternative payment models developed by the DOI, and provide recommendations on the alternative payment models. The annual reporting deadline is moved to February 15.

The All-Payer Health Claims Database Advisory Committee is required to include data related to the aligned quality measure set in the primary care spending report by November 15, 2022.

## Background

The Primary Care Payment Reform Collaborative focuses on developing strategies for increased investments in the provision of quality primary care and advises in the development of affordability standards and targets for carrier investments in primary care. Created under [House Bill 19-1233](#) and convened by the Division of Insurance, the collaborative has been meeting since July 2019 to develop recommendations aimed at increasing investments in high-quality primary care.

## State Expenditures

The bill increases state expenditures by \$67,739 in FY 2022-23 and \$345,789 in FY 2023-24. These costs are in the Department of Personnel and Administration and Department of Health Care Policy and Financing, and will be paid from the General Fund. Expenditures are shown in Table 2. The bill will also increase workload in DORA. These impacts are described below.

**Table 2**  
**Expenditures Under HB 22-1325**

<b>Cost Components</b>	<b>FY 2022-23</b>	<b>FY 2023-24</b>
<b>Department of Personnel and Administration</b>		
Personal Services	\$49,048	\$73,571
Operating Expenses	\$1,080	\$1,350
Capital Outlay Costs	\$6,200	-
Centrally Appropriated Costs <sup>1</sup>	\$11,411	\$16,618
FTE – Personal Services	0.7 FTE	1.0 FTE
<b>DPA Subtotal</b>	<b>\$67,739</b>	<b>\$91,539</b>
<b>Department of Health Care Policy and Financing</b>		
Technology Costs	-	\$254,250
<b>HCPF Subtotal</b>	<b>-</b>	<b>\$254,250</b>
<b>Total Cost</b>	<b>\$67,739</b>	<b>\$345,789</b>
<b>Total FTE</b>	<b>0.7 FTE</b>	<b>1.0 FTE</b>

<sup>1</sup> Centrally appropriated costs are not included in the bill's appropriation.

**Department of Personnel and Administration.** The DPA participates in the Alternative Payment Model Multi-payer Alignment Workgroup, and is currently working to integrate alternate payment models into the state's benefit structure. Beginning in FY 2022-23, the DPA will require an additional 1.0 FTE to meet with vendors, analyze reports, audits and recommendations, coordinate vendor marketing campaigns, reconcile invoices against enrollment and claims trends to make recommendations, and review documents. FTE and costs are prorated to account for an October 1, 2022, start date and the General Fund paydate shift. Standard operating and capital outlay costs are included.

**Department of Health Care Policy and Financing.** In FY 2023-24, HCPF will contract with the Center for Improving Value in Healthcare (CIVHC), the all payer claims database (APCD) administrator, to develop an aligned quality measure set report in the APCD. This work is expected to cost about \$254,000, be paid from the General Fund, and is not eligible for federal matching funds. Beginning in FY 2023-24 and on an annual basis, CIVHC will complete any needed updates and provide a report.

**Department of Regulatory Agencies.** The DOI is currently engaged in work focused on investments in, and multi-payer alignment related to, alternate payment models, including facilitation of the collaborative, and has received an appropriation for this work through FY 2023-24 so does not require an increase in appropriations. Under the bill, the DOI will have an increase in workload to develop the required quality measures, research current industry practices, and conduct stakeholder engagement.

**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 shown in Table 2.

## Other Budget Impacts

**General Fund reserve.** Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve beginning in FY 2022-23. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by \$8,449 in FY 2022-23 and \$49,374 in FY 2023-24, which will decrease the amount of General Fund available for other purposes.

## Effective Date

The bill was signed into law by the Governor on May 18, 2022, and it took effect on August 9, 2022.

## State Appropriations

For FY 2022-23, the bill requires and includes an appropriation of \$56,328 from the General Fund to the Department of Personnel and Administration, and 0.7 FTE.

## State and Local Government Contacts

Health Care Policy and Financing  
Law  
Public Health and Environment

Information Technology  
Personnel  
Regulatory Agencies